

Q2 2020 Earnings Preview

North America Power & Utilities, Alternative Energy, and Environmental Services

Equities

North America

Utilities

Regulated Utilities: Strong Weather Comparison

We expect favorable weather conditions helped offset the impact of the pandemic on demand. 2Q'20 degree days rose 12% above last year and 9% above normal with the biggest impacts in the Midwest and Northeast. Our forecasts average 5% above consensus and 2% above 2Q'19. Consensus may still be developing but we see few if any shortfalls versus consensus. Names that will likely create the most interest for investors are Buy-rated DTE, DUK, PCG, PEG and SRE and Neutral-rated EVRG, PNW and SO. Our water utility forecasts are in line with consensus with positive quarters for Neutral-rated AWK and AWR. We expect to hold a conference call on Monday, July 20 at 10 AM with a dial in number of 800-950-3502 and a code 21966464.

Power: 2Q Beats on Weather and Retail Acquisitions; Updating UBSe EBITDA

Our 2Q'20 Adjusted EBITDA estimates are above consensus for both NRG and VST at \$543mln and \$819mln respectively. We expect bad debts and volume dislocations from COVID-19 were not as bad as anticipated in 2Q and weather provided a positive volume offset. VST results will be driven by OPI cost savings offsetting lower capacity payments, the retail acquisitions of Crius and Ambit and better pricing in ERCOT due to the commercial impact noted on the 1Q '20 call. NRG results will be driven by the Stream retail acquisition, better weather, and margin enhancement at retail. VST and NRG were both significantly hedged for the balance of 2020 at the time of the 1Q'20 earnings calls. We are updating our UBSe Adj. EBITDA. NRG to \$1,986 /\$1,840/\$1,737mln and VST to \$3,444/\$3,087/\$3,076mln for '20/21/22 respectively.

Alternative Energy

We expect 2Q20 calls to focus on 2H20 demand given the on-going recovery from COVID-19 troughs in April; the potential for further policy support after the 2020 election; and impacts of corporate actions (RUN/VSLR merger, Maxeon spin from SPWR); as well as GNRC's storage product update ([initiation](#)).

Environmental Services

The MSW names operationally weathered the COVID-19 economic downturn (top pick WCN). We continue to see value in the more depressed share prices of CVA and ECOL. As the election approaches we expect increased focus on potential for higher tax rates.

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Figure 1: Electric Utilities Universe

Rating	Ticker	Company	7/16/2020 Price	Price Target	Total Return inc. Div. Yld	UBS 2019A EPS	UBS 2020A EPS	UBS 2021E EPS	UBS 2022E EPS	2021 P/E Ratio	2021 Prem/ Disc	2022 P/E Ratio	2022 Prem/ Disc	Current Dividend Yield	5 Yr EPS Growth	5 Yr DPS Growth	Regulatory Quartile
Buy (CBE)	PCG	PG&E Corp	\$9.02	\$15	66%	\$3.93	\$1.41	\$0.98	\$1.11	9.2x	(49%)	8.1x	(53%)	0.0%	N/A	N/A	3rd
Buy	SRE	Sempra Energy	\$122.63	\$172	43%	\$6.78	\$7.45	\$7.84	\$8.33	15.6x	(14%)	14.7x	(14%)	3.2%	6.2%	8.1%	3rd
Buy	EIX	Edison International	\$56.09	\$75	38%	\$4.70	\$4.45	\$4.67	\$4.80	12.0x	(34%)	11.7x	(32%)	4.5%	1.2%	4.0%	3rd
Buy	DUK	Duke Energy	\$81.07	\$102	30%	\$5.05	\$5.07	\$5.27	\$5.50	15.4x	(15%)	14.7x	(14%)	4.7%	3.7%	2.0%	1st
Buy	EXC	Exelon	\$38.06	\$48	30%	\$3.22	\$2.98	\$2.99	\$3.10	12.7x	(30%)	12.3x	(28%)	4.0%	0.1%	5.3%	3rd
Buy	ETR	Entergy Corp	\$98.33	\$121	27%	\$5.33	\$5.62	\$5.90	\$6.30	16.7x	(8%)	15.6x	(9%)	3.8%	6.0%	2.3%	2nd
Buy	FE	FirstEnergy Corp	\$41.29	\$50	25%	\$2.58	\$2.50	\$2.62	\$2.74	15.7x	(13%)	15.1x	(12%)	3.8%	3.8%	4.5%	2nd
Buy	PNM	PNM Resources	\$39.13	\$47	23%	\$2.16	\$2.16	\$2.38	\$2.50	16.4x	4%	15.6x	6%	3.1%	5.9%	5.5%	4th
Buy	PPL	PPL Corporation	\$25.85	\$30	22%	\$2.92	\$2.40	\$2.40	\$2.45	10.8x	(41%)	10.6x	(38%)	6.4%	-3.7%	0.0%	1st
Buy	DTE	DTE Energy	\$109.70	\$130	22%	\$6.30	\$6.61	\$7.21	\$7.58	15.2x	(16%)	14.5x	(15%)	3.7%	6.8%	6.0%	1st
Buy	PEG	Public Service Ent Group	\$52.91	\$62	21%	\$3.28	\$3.31	\$3.41	\$3.58	15.5x	(15%)	14.8x	(13%)	3.7%	5.0%	4.8%	2nd
Buy	EMA	Emera Inc (CS)	\$55.94	\$65	20%	\$2.60	\$2.76	\$3.07	\$3.28	18.2x	15%	17.1x	15%	4.3%	5.3%	4.5%	1st
Buy	AES	AES Corp.	\$14.88	\$17	18%	\$1.36	\$1.38	\$1.55	\$1.67	9.6x	(47%)	8.9x	(48%)	3.8%	6.9%	4.8%	1st
Buy	FTS	Fortis Inc (CS)	\$54.10	\$62	18%	\$2.55	\$2.66	\$2.93	\$3.12	18.5x	2%	17.3x	2%	3.4%	7.3%	6.0%	3rd
Buy	NEE	NextEra Energy	\$268.38	\$305	16%	\$8.37	\$9.08	\$9.84	\$10.55	27.3x	50%	25.4x	49%	1.9%	7.9%	10.0%	1st
Buy	ACO	ATCO Ltd. (CS)	\$42.31	\$47	15%	\$3.18	\$2.91	\$3.25	\$3.41	13.0x	(17%)	12.4x	(16%)	4.1%	3.6%	7.1%	4th
Buy	OGE	OGE Energy Corp	\$31.90	\$35	15%	\$2.16	\$2.17	\$2.21	\$2.31	14.5x	(20%)	13.8x	(19%)	4.9%	3.5%	5.0%	3rd
Buy	AEP	American Electric Power	\$85.09	\$94	14%	\$4.24	\$4.30	\$4.65	\$4.93	18.3x	1%	17.3x	1%	3.3%	5.5%	5.7%	2nd
Buy	D	Dominion Energy	\$76.95	\$81	10%	\$4.13	\$3.50	\$3.87	\$4.12	19.9x	9%	18.7x	9%	4.9%	2.5%	-4.1%	2nd
Neutral	ED	Consolidated Edison	\$71.84	\$76	10%	\$4.38	\$4.25	\$4.58	\$4.76	15.7x	(14%)	15.1x	(12%)	4.3%	3.2%	3.5%	4th
Neutral	CU	Canadian Utilities Ltd (CS)	\$34.41	\$36	9%	\$2.23	\$2.04	\$2.25	\$2.37	15.3x	(3%)	14.5x	(2%)	4.8%	3.2%	4.8%	4th
Neutral	CMS	CMS Energy	\$60.33	\$64	9%	\$2.49	\$2.68	\$2.87	\$3.05	21.0x	16%	19.8x	16%	2.7%	7.0%	7.0%	1st
Neutral	LNT	Alliant Energy	\$49.73	\$52	8%	\$2.33	\$2.45	\$2.60	\$2.72	19.1x	5%	18.3x	7%	3.1%	5.5%	6.2%	1st
Neutral	POR	Portland General	\$42.32	\$44	8%	\$2.39	\$2.44	\$2.60	\$2.64	16.3x	(10%)	16.0x	(6%)	3.6%	3.8%	6.0%	3rd
Neutral	SO	Southern Company	\$53.74	\$55	7%	\$3.11	\$3.20	\$3.31	\$3.56	16.2x	(11%)	15.1x	(12%)	4.6%	6.0%	3.9%	1st
Buy	AEE	Ameren Corp	\$76.79	\$80	7%	\$3.35	\$3.47	\$3.76	\$4.04	20.4x	12%	19.0x	11%	2.6%	6.6%	6.0%	2nd
Neutral	EVERG	Evergy	\$61.41	\$62	4%	\$2.89	\$3.06	\$3.24	\$3.46	19.0x	4%	17.8x	4%	3.3%	5.1%	5.3%	3rd
Neutral	WEC	WEC Energy Group	\$87.76	\$88	3%	\$3.58	\$3.75	\$3.98	\$4.23	22.0x	21%	20.8x	22%	2.9%	6.2%	6.7%	1st
Neutral	PNW	Pinnacle West Capital Corp	\$80.56	\$79	2%	\$4.77	\$4.85	\$4.90	\$5.14	16.4x	(10%)	15.7x	(8%)	3.9%	3.5%	6.0%	4th
Neutral	ES	Eversource Energy	\$85.81	\$85	2%	\$3.46	\$3.67	\$3.87	\$4.08	22.2x	22%	21.0x	23%	2.6%	6.0%	5.9%	2nd
Sell	CUP	Caribbean Utilities Corp Ltd	\$15.49	\$15	1%	\$0.84	\$0.69	\$0.79	\$0.89	19.7x	25%	17.5x	18%	4.5%	6.6%	7.1%	4th
Neutral	XEL	Xcel Energy	\$64.99	\$64	1%	\$2.64	\$2.77	\$3.02	\$3.20	21.5x	18%	20.3x	19%	2.5%	5.7%	6.0%	2nd
Sell	H	Hydro One Ltd (CS)	\$27.26	\$24	(8%)	\$1.41	\$1.37	\$1.42	\$1.49	19.1x	5%	18.3x	7%	3.6%	3.8%	4.7%	4th
Sell	HE	Hawaiian Electric Industries	\$37.00	\$32	(10%)	\$1.88	\$1.99	\$1.82	\$2.20	20.3x	12%	16.8x	(2%)	3.6%	3.1%	3.2%	4th
Overall Average (unnormalized, inc. Gas Midstream)										16.7x		15.7x					
Electric Utility Normalized (including Gas Midstream)										18.2x		17.1x					

Source: FactSet, UBS Equity Research

Figure 2: Water Utilities Universe

Rating	Ticker	Company	7/16/2020 Price	UBS Price Target	Total Return inc. Div. Yld	UBS 2018A EPS	UBS 2019A EPS	UBS 2020E EPS	UBS 2021E EPS	2021E P/E Ratio	2021E Prem/ Disc	Current Dividend Yield	5 Yr EPS Growth	5 Yr DPS Growth
Neutral	WTRG	Essential Utilities	\$43.88	\$45	5%	\$1.41	\$1.48	\$1.58	\$1.68	26.2x	(15%)	2.0%	6.6%	7.0%
Neutral	AWK	American Water	\$138.32	\$139	2%	\$3.30	\$3.63	\$3.85	\$4.17	33.1x	8%	1.3%	6.9%	10.0%
Neutral	SJW	SJW Group	\$63.02	\$62	0%	\$2.51	\$2.03	\$2.34	\$2.49	25.3x	(18%)	1.9%	8.3%	7.0%
Sell	AWR	American States Water	\$77.59	\$70	(8%)	\$1.73	\$2.03	\$2.25	\$2.36	32.9x	7%	1.4%	7.3%	6.0%
Sell	CWT	California Water Service	\$48.28	\$43	(9%)	\$1.44	\$1.31	\$1.55	\$1.69	28.6x	(7%)	1.6%	9.0%	5.0%
AVERAGE												30.8x		

Source: FactSet, UBS Equity Research

Figure 3: Independent Power Producers

Rating	Ticker	Company	7/16/2020 Price	Price Target	Total Return inc. Div. Yld	UBS 2018A EBITDA	UBS 2019A EBITDA	UBS 2020E EBITDA	UBS 2021E EBITDA	2020 EV/ EBITDA Ratio	2020 Prem/ Disc	2021 EV/ EBITDA Ratio	2021 Prem/ Disc	2019E Net Debt/ EBITDA
Buy	VST	Vistra Energy Corp	\$19.40	\$31	62%	\$2,899	\$3,393	\$3,287	\$3,195	5.7x	(21%)	5.6x	(18%)	3.2x
Buy	NRG	NRG Energy	\$33.84	\$41	22%	\$2,001	\$1,977	\$1,914	\$1,813	4.1x	(43%)	4.0x	(41%)	2.2x
MID-CYCLE MEDIAN												7.2x		6.8x

Source: FactSet, UBS Equity Research

Figure 4: Regulated Utilities & Power 1Q20 Earnings Summary

U.S. companies in US\$		Quarterly							Annual				
Cdn companies in C\$		Scheduled Reporting Date	2Q20E UBS	2Q20E Consensus	UBS Vs. Consensus	UBS Confidence Indicator ¹	2Q19A Adjusted	2020E UBS	2020E Consensus	UBS Vs. Consensus	Trailing 12 Month	2019A UBS	2020E Guidance
CUP in US\$													
Company	Ticker												
ELECTRIC UTILITIES													
AES Corp	AES	6-Aug	\$0.21	\$0.26	(\$0.05)		\$0.26	\$1.38	\$1.42	(\$0.04)	\$1.33	\$1.36	\$1.32-\$1.42
ATCO Ltd (C\$)	ACO.x-TSE	30-Jul	\$0.55	\$0.55	\$0.00		\$0.68	\$2.91	\$2.92	(\$0.01)	\$2.85	\$3.18	N/A
Alliant Energy	LNT	7-Aug	\$0.57	\$0.40	\$0.17		\$0.40	\$2.45	\$2.44	\$0.01	\$2.69	\$2.33	\$2.34-\$2.48
Ameren Corp	AEE	7-Aug	\$0.85	\$0.84	\$0.01		\$0.72	\$3.47	\$3.45	\$0.02	\$3.29	\$3.35	\$3.40-\$3.60
American Electric Power	AEP	6-Aug	\$1.08	\$0.99	\$0.09		\$1.00	\$4.30	\$4.31	(\$0.01)	\$4.16	\$4.24	\$4.25-\$4.45
Canadian Utilities Ltd (C\$)	CU-TSE	30-Jul	\$0.35	\$0.38	(\$0.03)		\$0.46	\$2.04	\$2.02	\$0.02	\$2.05	\$2.23	N/A
Caribbean Utilities Corporation Ltd	CUP.USD-TSE	31-Jul	\$0.19	\$0.18	\$0.01		\$0.24	\$0.69	\$0.74	(\$0.04)	\$0.77	\$0.84	N/A
CMS Energy	CMS	3-Aug	\$0.48	\$0.36	\$0.12		\$0.33	\$2.68	\$2.62	\$0.06	\$2.57	\$2.49	\$2.64-\$2.68
Consolidated Edison	ED	6-Aug	\$0.52	\$0.54	(\$0.02)		\$0.58	\$4.25	\$4.40	(\$0.15)	\$4.28	\$4.38	\$4.15-\$4.35
Dominion Energy	D	31-Jul	\$0.78	\$0.73	\$0.05		\$0.77	\$3.50	\$4.38	(\$0.88)	\$4.22	\$4.13	\$4.25-\$4.60
DTE Energy	DTE	28-Jul	\$1.51	\$1.16	\$0.35		\$0.99	\$6.61	\$6.57	\$0.05	\$6.35	\$6.30	\$6.47-\$6.75
Duke Energy	DUK	10-Aug	\$1.00	\$1.02	(\$0.02)		\$1.12	\$5.07	\$5.14	(\$0.07)	\$4.83	\$5.05	\$5.05-\$5.45
Edison International	EIX	28-Jul	\$1.16	\$1.16	(\$0.00)		\$1.58	\$4.45	\$4.46	(\$0.01)	\$4.28	\$4.70	\$4.32-\$4.62
Emera Inc (C\$)	EMA-TSE	12-Aug	\$0.52	\$0.58	(\$0.06)		\$0.54	\$2.76	\$2.80	(\$0.04)	\$2.43	\$2.60	N/A
Entergy Corp	ETR	29-Jul	\$1.30	\$1.24	\$0.06		\$1.22	\$5.62	\$5.56	\$0.06	\$5.75	\$5.33	\$5.45-\$5.75
Evergy, Inc (2)	EVRG	wb 8/3 Est	\$0.63	\$0.67	(\$0.04)		\$0.57	\$3.06	\$3.09	(\$0.03)	\$2.94	\$2.89	N/A
Eversource Energy	ES	31-Jul	\$0.75	\$0.78	(\$0.03)		\$0.72	\$3.67	\$3.65	\$0.02	\$3.52	\$3.46	\$3.60-\$3.70
Exelon Corp	EXC	4-Aug	\$0.45	\$0.45	\$0.00		\$0.60	\$2.98	\$3.06	(\$0.08)	\$3.07	\$3.22	\$2.80-\$3.10
FirstEnergy Corp	FE	24-Jul	\$0.53	\$0.55	(\$0.02)		\$0.61	\$2.50	\$2.49	\$0.01	\$2.50	\$2.58	\$2.40-\$2.60
Fortis Inc (C\$)	FTS-TSE	30-Jul	\$0.57	\$0.58	(\$0.01)		\$0.54	\$2.66	\$2.65	\$0.01	\$2.54	\$2.55	N/A
Hawaiian Electric Industries	HE	30-Jul	\$0.40	\$0.38	\$0.02		\$0.39	\$1.61	\$1.95	(\$0.34)	\$1.90	\$1.99	\$1.90-\$2.10
Hydro One Ltd (C\$)	H-TSE	11-Aug	\$0.32	\$0.27	\$0.05		\$0.26	\$1.37	\$1.39	(\$0.02)	\$1.33	\$1.41	N/A
NextEra Energy	NEE	24-Jul	\$2.49	\$2.49	\$0.00		\$2.35	\$9.08	\$9.08	\$0.00	\$8.69	\$8.37	\$8.70-\$9.20
OGE Energy Corp	OGE	6-Aug	\$0.50	\$0.50	\$0.00		\$0.50	\$2.17	\$2.19	(\$0.02)	\$2.16	\$2.16	\$2.08-\$2.18
PG&E Corp	PCG		\$0.84	\$0.94	(\$0.10)		\$1.10	\$1.41	\$1.45	(\$0.04)	\$3.52	\$3.93	N/A
Pinnacle West Capital Corporation	PNW	wb 8/3 Est	\$1.55	\$1.36	\$0.19		\$1.28	\$4.85	\$4.83	\$0.02	\$5.16	\$4.77	\$4.75-\$4.95
PNM Resources	PNM	31-Jul	\$0.50	\$0.40	\$0.10		\$0.35	\$2.16	\$2.19	(\$0.03)	\$2.34	\$2.16	\$2.16-\$2.26
Portland General	POR	31-Jul	\$0.34	\$0.25	\$0.09		\$0.28	\$2.44	\$2.39	\$0.04	\$2.54	\$2.39	\$2.20-\$2.50
PPL Corporation	PPL	8/7 Est	\$0.57	\$0.56	\$0.01		\$0.58	\$2.40	\$2.46	(\$0.05)	\$2.41	\$2.37	\$2.40-\$2.60
Public Service Enterprise Group	PEG	31-Jul	\$0.59	\$0.62	(\$0.03)		\$0.58	\$3.31	\$3.37	(\$0.06)	\$3.25	\$3.28	\$3.30-\$3.50
Sempra Energy	SRE	5-Aug	\$1.65	\$1.19	\$0.46		\$1.38	\$7.45	\$7.15	\$0.30	\$7.78	\$6.78	\$7.20-\$7.80
Southern Company	SO	30-Jul	\$0.64	\$0.69	(\$0.05)		\$0.79	\$3.20	\$3.15	\$0.05	\$3.03	\$3.11	\$3.10-\$3.22
WEC Energy Group	WEC	4-Aug	\$0.67	\$0.67	(\$0.00)		\$0.74	\$3.75	\$3.74	\$0.01	\$3.61	\$3.58	\$3.71-\$3.75
Xcel Energy	XEL	30-Jul	\$0.49	\$0.48	\$0.01		\$0.46	\$2.77	\$2.76	\$0.01	\$2.62	\$2.64	\$2.73-\$2.83
Average			\$0.75	\$0.71	\$0.04		\$0.73	\$3.38	\$3.42	(\$0.04)	\$3.43		
WATER UTILITIES													
American States Water Company	AWR		\$0.70	\$0.63	\$0.07		\$0.59	\$2.25	\$2.27	(\$0.02)	\$2.75	\$2.03	N/A
American Water Works Company	AWK	6-Aug	\$0.99	\$0.95	\$0.04		\$0.94	\$3.85	\$3.85	\$0.00	\$4.25	\$3.63	\$3.79-\$3.89
Essential Utilities	WTRG	6-Aug	\$0.26	\$0.24	\$0.02		\$0.37	\$1.58	N/A	N/A	\$1.27	\$1.48	\$1.53-\$1.58
California Water Service Group	CWT	30-Jul	\$0.51	\$0.64	(\$0.13)		\$0.37	\$1.55	\$1.51	\$0.03	\$2.27	\$1.31	N/A
SIJW Group	SIJW		\$0.70	\$0.70	\$0.00		\$0.50	\$2.34		\$2.34	\$2.65	\$2.03	N/A
Average			\$0.63	\$0.62	(\$0.01)		\$0.57	\$2.31	\$2.54	\$0.01	\$2.64		
IPPS - Adjusted EBITDA not EPS US\$m													
NRG Energy	NRG	TBA	\$543	\$528	\$15		\$469	\$1,986	\$1,967	\$19	N/A		\$1,900-\$2,100
Vistra Energy	VST	5-Aug	\$819	\$749	\$70		\$707	\$3,444	\$3,409	\$35	N/A		\$3,285-\$3,585

1. UBS Confidence Indicator: Green = high confidence in estimate vs. consensus; Red = low confidence in estimate vs. consensus; Yellow = mid confidence in estimate vs. consensus

2. UBS estimates exclude corporate owned life insurance.

3. UBS estimates reflected above remove the estimated NRG Yield assets results from prior and current quarter and consensus for comparison purposes as they were sold on 8/31/18

Source: FactSet, company filings, UBS Equity Research

Regulated Utilities 2Q20 preview

Focus Stocks this Quarter

DTE Energy. Management will likely provide an update on the electric rate freeze until 2022 and the LEAP expansion which we expect is on track to go into service this quarter.

Duke Energy. In the investor call following Q2 earnings, DUK will have an opportunity to update investors on the financial impact of the ACP abandonment decision; highlighting the potential for higher spending at the Piedmont subsidiary to source replacement capacity. Also, we expect a regulatory update, both on the recent GRC decision in Indiana and the ongoing GRC in North Carolina. With a number of parties signing on to settlements that stipulate an ROE and equity layer in North Carolina, we see the most contentious element of this case being the potential to earn a return on the deferred balance of coal ash remediation expenses. Should the PSC ultimately decide not to allow a return on that balance, we estimate ongoing EPS will be impacted by \$0.10/share.

Evergy Inc. The Strategic Operations Committee recommendations to the Board are due July 30 and the Board decision August 17 so the timing will be interesting. We expect EVRG to continue delivering cost cuts at the higher end of the 6-9% reduction range.

PG&E Corp. With the company's first quarterly call out of bankruptcy we look for a calendar update and additional financial guidance. We also expect a discussion on preparations for fire season which has so far started without much impact.

Pinnacle West Capital. We expect an update on the general rate case following Staff testimony August 3 and the results of the August 4 primary as 3 seats on the Arizona Corporation Commission are up this year (Chairman Burns who is term-limited, Commissioner Dunn who is not running and Commissioner Marquez-Peterson).

Public Service Enterprise Group. We expect PEG to provide updates on cost cutting efforts embedded in their reiteration of annual guidance on the 1Q 2020 conference call and the COVID-19 impacts on volumes seen in 2Q 2020. We believe investors will be focused on management's updates around the energy efficiency spending program in New Jersey, and any prospects for settlement on the Transmission ROE at FERC.

Sempra Energy. We expect Sempra to report \$1.65/share for 2Q 2020, well ahead of consensus estimates of \$1.19. We also expect management to reiterate the 2020 eps guidance range of \$7.20 - \$7.80, which was recently increased from \$6.70-\$7.50 after closing the sales of the South American businesses. On the call management could also update 2021 guidance. Current 2021 guidance (on a GAAP basis) was provided during the March 2020 Analyst Day at \$7.50-\$8.10 commensurate with the original Adjusted EPS guidance for 2020 of \$6.70-\$7.50. Other items of interest will be an update on COVID impacts, particularly at IEnova, and the status of the last remaining permit for ECA LNG Phase 1.

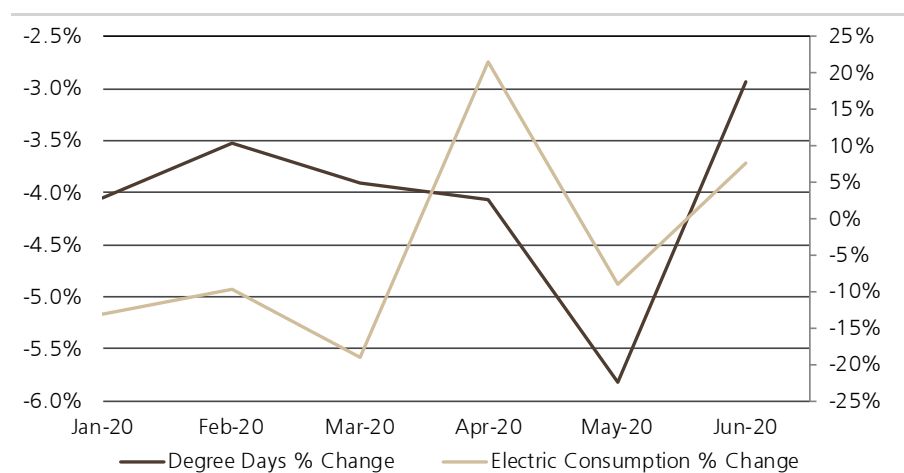
Southern Company. We expect the market to be focused on an update on the Vogtle new nuclear construction project for schedule and budget and any COVID-19 impacts to productivity.

Weather

Weather was positive in 2Q'20 as degree days rose 9% above normal and 12% above Q2'19. Weather was most favorable in the Midwest and Northeast versus Q2'19 and all regions experienced an increase in degree days.

From an electric consumption standpoint electric sales declined 4.1% in April, 5.8% in May and 2.9% in June versus 2019 including weather. We believe this was in line or better than expectations in company guidance.

Figure 5: 2Q Change in Weather versus Electric Consumption



Source: NOAA, EIA, UBS

Figure 6: Q2'20 Weather and Sales Comparisons

State	Decoupled?	Retail Sales Growth YoY			Deg Days vs '19		2Q'20 VS. 2Q'19	Rank	Deg Days vs Normal		2Q'20 VS. 2Q'19	Rank
		YTD	April	March	May	June			May	June		
Connecticut	Yes	-6.0%	-7.0%	-9.6%	12.2%	17.6%	21.1%	16	17.6%	52.2%	18.7%	2
Maine	No	-7.1%	-3.7%	-9.0%	-13.8%	10.3%	-2.3%	42	4.6%	5.3%	4.6%	42
Massachusetts	Yes	-3.5%	-5.4%	-6.0%	2.7%	71.0%	24.2%	11	7.0%	36.6%	12.9%	19
New Hampshire	No	-4.7%	-3.1%	-3.5%	-3.2%	45.9%	9.9%	27	10.1%	33.8%	10.6%	27
Rhode Island	Yes	-7.6%	-1.1%	-3.2%	0.7%	8.8%	16.1%	19	9.4%	50.0%	14.7%	14
Vermont	Yes	-4.7%	-7.6%	-4.0%	7.6%	27.0%	13.8%	21	21.2%	59.0%	18.5%	4
New Jersey	No	-5.6%	-3.8%	-8.8%	44.8%	19.6%	41.5%	2	16.7%	29.7%	15.6%	11
New York	Yes	-4.1%	-3.6%	-4.5%	22.5%	60.3%	28.7%	7	12.5%	27.6%	12.6%	21
Pennsylvania	No	-7.3%	-5.4%	-12.4%	50.0%	7.9%	36.8%	3	19.0%	23.5%	13.0%	18
Illinois	Yes	-5.0%	-7.1%	-7.8%	19.0%	37.2%	21.0%	18	5.6%	23.5%	10.2%	30
Indiana	Yes	-6.1%	-12.8%	-7.4%	23.1%	21.0%	23.5%	13	8.5%	15.5%	11.3%	26
Michigan	No	-6.8%	-15.9%	-8.3%	27.2%	43.4%	21.7%	15	15.3%	-3.3%	10.3%	28
Ohio	Partial	-5.1%	-6.1%	-9.6%	47.7%	13.4%	34.6%	4	16.0%	21.2%	13.6%	17
Wisconsin	No	-4.0%	-7.0%	-4.8%	1.4%	15.3%	7.5%	30	9.7%	-1.1%	6.5%	35
Iowa	No	-2.3%	-2.8%	-6.8%	-3.7%	14.9%	8.9%	28	9.8%	21.6%	12.9%	20
Kansas	No	-5.8%	-6.8%	-7.3%	-3.0%	42.9%	22.9%	14	0.5%	30.0%	14.2%	15
Minnesota	Yes	-3.9%	-7.3%	-6.2%	-13.7%	11.6%	0.6%	37	5.6%	-6.2%	6.7%	34
Missouri	No	-5.4%	-4.6%	-8.2%	2.2%	27.3%	23.7%	12	1.7%	17.7%	12.5%	23
Nebraska	No	-2.5%	-2.6%	-5.3%	-13.3%	32.4%	13.5%	23	9.1%	32.4%	16.3%	8
North Dakota	No	2.6%	5.7%	2.7%	-12.6%	4.4%	3.9%	34	14.7%	-2.7%	12.1%	24
South Dakota	No	-3.9%	-4.3%	-7.0%	-16.5%	14.7%	2.2%	35	6.8%	7.1%	9.2%	31
Delaware	Yes	-5.1%	-0.3%	-7.8%	19.7%	3.3%	29.8%	6	38.6%	32.6%	19.2%	1
District of Columbia	Yes	-7.9%	-8.0%	-16.8%	-9.3%	5.5%	14.5%	20	24.4%	18.1%	13.8%	16
Florida	No	1.4%	3.4%	3.3%	-16.0%	-6.2%	-3.8%	43	4.2%	7.8%	16.6%	7
Georgia	No	-3.0%	-8.5%	-2.6%	-23.0%	-3.7%	-10.2%	47	19.0%	4.0%	6.3%	36
Maryland	No	-7.7%	-1.9%	-13.1%	22.6%	-3.8%	31.6%	5	24.5%	19.4%	15.3%	13
North Carolina	Yes	-3.4%	-8.1%	-4.7%	-10.8%	3.0%	1.8%	36	41.4%	11.5%	18.3%	5
South Carolina	No	-2.9%	-10.4%	-0.2%	-26.3%	-0.8%	-12.2%	50	22.9%	4.1%	10.2%	29
Virginia	No	-5.9%	-1.5%	-6.1%	12.0%	6.0%	26.5%	9	37.9%	20.1%	17.7%	6
West Virginia	No	-4.6%	0.1%	-10.6%	61.2%	3.7%	46.2%	1	30.6%	4.9%	16.0%	9
Alabama	No	-3.1%	-8.5%	-2.7%	-20.4%	-6.5%	-10.5%	48	16.5%	7.5%	6.0%	37
Kentucky	No	-4.7%	-7.1%	-7.7%	15.2%	0.8%	26.7%	8	19.3%	4.1%	12.1%	25
Mississippi	No	-1.7%	-2.9%	0.5%	-15.6%	-1.7%	-7.8%	45	16.9%	4.1%	5.3%	40
Tennessee	No	-4.0%	-6.6%	-3.4%	4.0%	3.7%	13.7%	22	28.6%	4.0%	15.5%	12
Arkansas	No	-3.9%	-5.9%	-5.4%	-19.9%	6.0%	0.1%	38	-2.0%	3.8%	4.7%	41
Louisiana	No	-0.5%	1.2%	1.1%	-16.4%	-7.4%	-8.5%	46	3.8%	-1.6%	6.0%	38
Oklahoma	No	-3.1%	-5.1%	-1.6%	-6.1%	22.1%	21.1%	17	0.5%	14.1%	15.9%	10
Texas	Partial	1.0%	3.1%	3.0%	0.0%	3.5%	4.1%	33	14.3%	5.5%	12.6%	21
Arizona	No	-1.5%	-1.1%	-3.4%	100.0%	-1.0%	25.8%	10	5.7%	-7.7%	-4.5%	46
Colorado	No	-0.3%	-4.0%	-1.8%	-39.9%	-10.9%	-10.8%	49	-24.1%	-18.9%	-11.8%	47
Idaho	Yes	0.1%	2.6%	-3.2%	4.9%	23.5%	10.6%	26	3.4%	8.5%	5.5%	39
Montana	No	-4.3%	3.4%	-8.8%	-7.8%	17.3%	7.7%	29	3.7%	-0.4%	8.1%	33
Nevada	Yes	0.6%	-6.8%	2.1%	-0.5%	-13.3%	12.2%	24	-35.4%	-24.8%	-20.0%	49
New Mexico	No	2.5%	-4.0%	3.9%	-32.1%	12.8%	-1.7%	39	-32.1%	-8.6%	-16.4%	48
Utah	No	-0.3%	-4.3%	1.6%	-27.3%	24.6%	-2.1%	41	-11.3%	-3.6%	-3.1%	45
Wyoming	No	-4.8%	-11.0%	-6.5%	-26.7%	-21.9%	-6.4%	44	-4.8%	-27.0%	-1.0%	44
California	Yes	-3.5%	-4.4%	-2.3%	-37.8%	6.6%	5.7%	32	-41.2%	-29.1%	-21.5%	50
Oregon	Partial	-2.1%	-2.0%	-0.7%	14.2%	14.3%	6.0%	31	9.0%	29.0%	8.8%	32
Washington	Yes	-4.2%	-3.2%	-6.1%	21.5%	18.5%	11.4%	25	-3.5%	15.3%	2.7%	43
Hawaii	No	-0.3%	-13.7%	4.3%	-3.1%	-2.0%	-2.0%	40	20.4%	17.0%	18.6%	3

Source: EIA, NOAA, UBS

Electric Utilities

AES Corp

We estimate Q2'20 EPS of \$0.21 versus \$0.26 last year. We assume a -\$0.04/share impact from COVID globally of the \$0.06-\$0.07/share the company identified on the Q1 call. We do not see a material impact from sensitivities. A knowable driver is the absence of the Ohio rider which we estimate is -\$0.01/share. We look forward to an update on where AES stands with S&P, renewable PPA origination and the company's progress to reduce coal generation to 30% of total by year-end.

Alliant Energy

We estimate an increase in LNT's EPS to \$0.57 versus \$0.40 last year. We estimate a strong comparison due to rate relief at IP&L and WP&L (+\$0.16/share) and the first half of 2020 tax timing from wind production credits. We estimate this added \$0.06/share in Q2'20 versus the \$0.08/share in Q1'20. We estimate a small net negative impact from the combination of weather normalized sales and cost cuts. We expect LNT to discuss progress on the Wisconsin rate freeze proposal and solar filing.

Figure 7: LNT Q2'20 EPS Drivers

Q2'19	\$0.40
Weather to Normal	\$0.02
Weather Below Normal	\$0.01
IP&L & WP&L Rates	\$0.16
Tax timing - PTCs	\$0.06
O&M	\$0.03
Interest Expense	-\$0.01
Dilution	-\$0.02
Depreciation/other	-\$0.03
Weather Normalized Demand	-\$0.05
Q2'20 Estimate	\$0.57

Source: Company reports, FactSet, UBS Equity Research

Ameren Corp

We forecast EPS for AEE of \$0.85 versus \$0.72 last year. Weather likely helped offset the impact of lower demand. Ameren assumes a -\$0.10/share impact from lower Ameren Missouri sales in 2020 (-7%: +2.5% Residential, -15% Commercial and -10% Industrial). The absence of a Callaway outage likely added \$0.08/share. We estimate a mark-to-market of the Illinois formula distribution ROE is a -\$0.03/share impact versus 2019.

Figure 8: AEE Q2'20 EPS Drivers

Q2'19	\$0.72
Weather to Normal	\$0.06
Weather versus Normal	\$0.05
Callaway Outage	\$0.08
Missouri Rates	\$0.02
IL Rate base Growth	\$0.01
Interest Expense	-\$0.01
IL Electric Distribution ROE (7.3% vs. 8.8%)	-\$0.03
Demand	-\$0.05
Q2'20 Estimate	\$0.85

Source: Company reports, FactSet, UBS Equity Research

American Electric Power

We forecast AEP EPS of \$1.08 versus \$1.00 last year. The absence of a transmission true-up at AEP Transco is a -\$0.08/share impact absent a similar development. At the 2019 EEI conference AEP identified \$0.19/share of cost cuts at the Vertically Integrated Utilities and \$0.14/share at the T&D Utilities which will help offset a demand reduction. Overall we expect T&D utility rates will be slightly higher net of the absence of the legacy rider in Ohio.

Figure 9: AEP Q2'20 Earnings Drivers by Segment

Q2'19	\$1.00
<u>Vertically Integrated (\$0.50 v. \$0.38)</u>	
Weather to Normal	\$0.01
Weather vs Normal	\$0.02
Operations and Maintenance	\$0.07
Transmission	\$0.05
Rates	\$0.03
Other	-\$0.01
Load	-\$0.02
Depreciation	-\$0.03
<u>T&D Utilities (\$0.31 v. \$0.27)</u>	
Transmission	\$0.04
Operations and Maintenance	\$0.03
Rates	\$0.02
Depreciation	-\$0.02
Tax Carrying Charge	-\$0.03
 AEP Transmission (\$0.25 v. \$0.31)	 -\$0.06
Generation & Marketing (\$0.07 v. \$0.06)	\$0.01
Corp and Other (-\$0.05 v. -\$0.02)	-\$0.03
Q2'20 Estimate	\$1.08

Source: Company reports, FactSet, UBS Equity Research

ATCO Ltd

We expect ATCO Ltd to report 2Q 2020 adjusted eps of C\$0.55 vs. C\$0.55 consensus estimates and C\$0.68 last year. The largest negative drivers in the quarter are the asset divestitures of the Alberta Power Line and the Canadian competitive generation assets. Further, we expect lower earnings contributions from Neltume Ports on economically driven lower trade volumes, slightly higher corporate expenses, and lower earnings year on year at the Australian gas distribution utility on lower ROE and flat CPI adjustor. Partially offsetting these negative drivers will be higher earnings at the Structures business driven by LNG Canada completing the manufacturing phase and rate base growth at the electric distribution and Canadian gas utilities.

Figure 10: ATCO Ltd. 2Q 2020 Drivers

2Q 2019 EPS	\$ 0.68
2Q 2019 Cons. Adj. Earnings	78
Naltume Ports	(2)
Corporate Drag	(2)
Canadian Utilities	(3)
S&L	4
Sale of Power & Alberta Power Line	(8)
Australia lower RB growth/ROE/CPI	(4)
2Q 2020 Cons. Adj. Earnings	63
Shares	114.3
2Q 2020 EPS	\$ 0.55

Source: UBS Equity Research Estimates

Canadian Utilities

We expect Canadian Utilities to report 2Q 2020 adjusted eps of C\$0.35 vs. consensus estimates of C\$0.35 and C\$0.38 last year. Results will be driven by the sale of the Alberta Power Line and the Canadian generation assets, higher corporate expenses year on year, and lower earnings at the Australian gas utility business on lower rate base growth, lower allowed ROE, and a lower CPI adjustor year on year. This will be mostly offset by rate base growth at the electric distribution and Canadian gas utilities.

Caribbean Utilities

We expect Caribbean Utilities to report 2Q 2020 eps of \$0.19 vs. consensus estimates of \$0.18, and \$0.24 last year. The biggest driver of year on year results will be lower electric volumes due to a significant decline in by air and by sea tourism visits to Grand Cayman. This will be partially offset by lower O&M as a result of lower volumes as well as cost discipline.

CMS Energy

We expect an increase for CMS' EPS to \$0.48 versus \$0.33 last year. Weather and cost cuts likely helped offset the impact of lower demand due to COVID. NOAA data shows a 24% increase in degree days from last year and 11% above normal. Michigan manufacturing returned in May and retail in June at or ahead of the company's plan. MISO load was -15% in April and gradually recovered to flat in July including weather. Cost cuts included the company's CE Way, employee benefits and COVID-related impacts like mileage reimbursement.

Figure 11: CMS Q2 EPS Drivers

Q2'19	\$0.33
Weather to Normal	\$0.06
Weather	\$0.10
O&M reinvestment	\$0.06
Gas Rates	\$0.06
Pension	\$0.02
Enterprises and Enerbank	\$0.01
Debt and Dilution	-\$0.02
Demand	-\$0.07
Depreciation, Interest and Other	-\$0.07
Q2'20 Estimate	\$0.48

Source: Company reports, FactSet, UBS Equity Research

Consolidated Edison

We forecast ED EPS of \$0.52 versus \$0.58 last year. We do not expect ED to move off its 2020 EPS guidance reduction of \$0.15/share to \$4.15-\$4.35. We assume lower results at Consolidated Edison Company of New York (\$0.41 versus \$0.46) which is decoupled but the lower EPS reflects the costs of doing work with social distancing which raised costs. CECONY and other New York investor owned utilities filed comments with the New York Public Service Commission to: 1) Allow for deferral of net costs of COVID-19; 2) Establish mechanisms to mitigate cash flow stress like riders and 3) Declare COVID-19 a pandemic crisis that justifies excusing a utility from meeting a rate plan performance metric.

Dominion Energy

We expect Dominion Energy to report adjusted 2Q EPS of \$0.78/share; this is modestly below the mid-point of the original guidance for the quarter of \$0.75-\$0.85/share and includes earnings from both the company's midstream and ACP assets. We expect that in conjunction with its Q3 earnings release (later in the year), Dominion will restate earnings from the first and second quarter to reflect the discontinued nature of those midstream and pipeline operations, consistent with its restated guidance for 2020 of \$3.37-\$3.63 and 2021 of \$3.85-\$3.90.

Year/Year second quarter earnings will benefit from continued investment in Dominions regulated business lines, higher capacity revenues in PJM, lower depreciation expense due to the early retirement of coal plants and life extension of nuclear plants, and very modestly lower interest expenses. These benefits will be offset by lower earnings from Cove Point, lower capacity earnings at the Millstone nuclear plant and equity dilution. Our earnings forecast assumes that any negative impact from the Covid-19 economic slowdown will be offset by lower O&M expenses, and that below normal weather in the quarter will have a negative earnings impact..

We expect Dominion's second quarter investor call will focus on the future goals of the company; its increasing focus on regulated earnings, an improving balance sheet, renewable generation development and zero carbon and methane emissions by 2050. In this context we expect the refreshed EPS and dividend growth target of 6.5% and 6% respectively, to be reiterated.

Figure 12: Dominion Energy Q2'20 EPS Drivers

Q2'19	\$0.75
Weather - Weaker vs. normal	-\$0.02
Regulated Investment Growth	\$0.07
Capacity - New Gen	\$0.04
Nuclear & Asset life Extension	\$0.02
Interest Expense	\$0.00
Cove Point - Lower Ownership	-\$0.03
Millstone - Lower capacity revenues	-\$0.01
Equity Dilution	-\$0.04
Covid-19 - Demand Shift/O&M Savings	\$0.00
Q2'20 Estimate	\$0.78

Source: UBS Equity Research, Company Reports, FactSet

DTE Energy

We forecast lower EPS of \$1.51 versus \$0.99. Overall, DTE seems on track for the year. We expect favourable weather versus last year (+\$0.05/share) and normal (+\$0.16/share) benefitted the second quarter result. The company likely saw a higher mix of residential sales which provides for a greater impact from a rise in degree days. DTE Electric recovered the impacts of 2 rate cases. Share based incentive comp was a -\$0.18/share impact in Q1 due to a lower stock price but recovered in Q2. DTE is progressing with the LEAP expansion to the Blue Union expansion which they expect to complete in Q3. Lower demand from DTE Electric from waste coal REF sales could impact the Power & Industrials business.

Figure 13: DTE Q2'20 EPS Drivers

Q2'19	\$0.99
DTE Electric weather	\$0.18
DTE Electric sales	-\$0.17
DTE Electric rate case recovery	\$0.20
DTE Electric Share based incentive comp	\$0.11
DTE Electric O&M	\$0.08
DTE Gas weather	\$0.03
DTE Gas rate base	\$0.03
GS&P - similar to 1Q'20	\$0.12
Power & Industrials - lower utility waste coal to DTE Electric	-\$0.01
DTE Energy Trading	\$0.02
Corp & Other	\$0.01
Dilution (192M versus 182M)	-\$0.08
Q2'20 Estimate	\$1.51

Source: Company reports, FactSet, UBS Equity Research

Duke Energy

We expect Duke Energy to report adjusted 2Q'20 EPS of \$1.00 vs. a weather adjusted Q2'19 result of \$1.04. The most significant variable (and source of uncertainty) in Q2'20 earnings will be the impact of the Covid-19 related economic shutdown and the related O&M savings the company can realize as an offset. Our estimate assumes a negative EPS impact of \$0.19 (reflects residential demand +5%, commercial demand -15%, industrial demand -20%) offset by O&M savings of \$0.12. Beyond the impact of lower demand in the quarter, higher rates, investment in renewables and the gas LDC business will be offset by higher depreciation, interest and equity dilution.

We expect DUK's investor call will focus on the company's regulatory calendar (Indiana & North Carolina), potential need for additional capital spending at its gas LDC (following the cancelation of ACP) and the potential outcome of the Governors upcoming clean energy plan.

Figure 14: Duke Energy Q2'20 EPS Summary

Q2'19	\$1.04
Weather impact	\$0.01
Demand Impact of Covid-19 Shut down	-\$0.19
O&M Savings to Offset Covid-19 Impact	\$0.12
FLNC/SC rates & riders	\$0.05
Gas LDC & Pipeline (net)	\$0.01
Wholesale Contracts & Renewables	\$0.02
Depreciation & Interest Expense	-\$0.05
Equity Dilution	-\$0.01
Q2'20 Estimate	\$1.00

Source: UBS Equity Research, Company Reports, FactSet

Edison International

We forecast EPS of \$1.16 versus \$1.58 last year. Our EIX jurisdictional revenue impact includes the absence of a \$0.20/share benefit from a revenue true-up from the rate case along with an attrition year impact. EIX also likely experienced higher costs related to insurance and its wildfire plan and we do not expect a similar year-on-year impact to O&M (-\$0.30/share) as we are looking for in this quarter.

Figure 15: Edison International Q2'20 EPS Summary

Q2'19	\$1.58
California Jurisdictional Revenue	\$0.06
FERC Transmission Revenue	\$0.04
Depreciation	-\$0.02
Financing	-\$0.03
O&M	-\$0.30
Corporate Expenses	-\$0.01
Dilution (378M vs. 331M avg shrs)	-\$0.16
Q2'20 Estimate	\$1.16

Source: Company reports, FactSet, UBS Equity Research

Emera Inc

We expect Emera Inc. to report 2Q 2020 adjusted eps of C\$0.52 vs. C\$0.58 consensus estimates and C\$0.54 last year. Normalizing the C\$0.54 in 2Q 2019 for the Emera Maine asset sale yields C\$0.49. Drivers off of this normalized level last year will be rate base growth in Florida, slightly better results in Nova Scotia, and positive impacts from FX due to a stronger USD/CAD year over year. Mostly offsetting these positive drivers will be lower results at Emera Energy due to lower natural gas price volatility, the \$12mln one time regulatory decision impact at New Mexico Gas in 2Q 2019, and slightly higher corporate expenses and share dilution.

Figure 16: Emera Inc. 2Q 2020 Drivers

2Q 2019	\$ 0.54
Maine Asset Sale	\$ (0.05)
2Q'19 Normalized	\$ 0.49
FL Electric	\$ 0.03
Emera Energy	\$ (0.02)
Gas Utes & Infra	\$ 0.04
Canadian	\$ 0.01
One-Time NM Reg. Dec.	\$ (0.04)
FX	\$ 0.03
Other/Parent	\$ (0.02)
4Q 2019	\$ 0.52

Source: UBS Equity Research Estimates

Entergy Corp

We expect Entergy Corp. to report adjusted 2Q'20 EPS of \$1.30 vs. a weather adjusted 2Q'19 result of \$1.29. Second quarter earnings will benefit from a step up in regulated earning related the company's formulaic rate plans and tracking mechanisms, offset by higher depreciation, interest and tax expense and equity

dilution. We estimate that slowdown associated with the Covid-19 pandemic could impact earnings by up to \$0.15 in the quarter (retail +4%, commercial -15%, industrial -10%) but that some portion of that will be offset by O&M cost reductions (we assume \$0.11).

We expect ETR will affirm its 2020 full year earnings guidance of \$5.45-\$5.75, its EPS CAGR through '22 of 5-7% and its plans for a fall investor day when it will expand the current three year forward look that includes both EPS and capital spending plans to a five year look forward.

Figure 17: Entergy Q2'20 EPS Summary

ETR - Earnings Walk Q2'19-Q2'20				Q2'19
EPS as reported Q2'19				\$1.35
Adjustments (weather benefit)				<u>(\$0.06)</u>
Q2'19 Operating EPS				\$1.29
	Annual Impact (mm)	After Tax Q2 (mm)	Per Share	
E - LA Saint Charles SCPS	\$110.0	\$13.75	\$0.07	
E - MS FRP (\$33/\$18 net of D&A)	\$18.0	\$3.38	\$0.02	
E - LA FRP	\$25.0	\$4.69	\$0.02	
E - MS Chowtaw	\$59.0	\$11.06	\$0.06	
E - NO Rate Case	(15.00)	(2.81)	(0.01)	
E - AR FRP	\$57.0	\$10.69	\$0.05	
AMI Annual Rider	\$20.0	\$3.75	\$0.02	
E - TX TCRF	\$17.0	\$2.13	\$0.01	
E-LA Lake Charles Power Station	\$108.0	\$13.50	\$0.07	
E-MS FRP	\$23.8	\$2.98	\$0.01	\$0.31
Annual Guidance from ETR:	Annual Impact (EPS)	Qtrly Impact		
Regulated Utility:				
O&M	\$0.05		(\$0.01)	
Nuclear Refuel Expense	\$0.05		\$0.02	
Depreciation Expense	(\$0.70)		(\$0.18)	
Net Interest Expense (wgtd in 2H)	(\$0.40)		(\$0.08)	
Effective Income Tax	(\$0.15)		(\$0.05)	
Share Count	(\$0.14)		(\$0.04)	(\$0.33)
Parent & Other:				
Effective Tax Rate	\$0.07		\$0.02	
Share Count	\$0.03		\$0.01	\$0.03
Covid-19 Related Demand Loss			(\$0.15)	
O&M Savings			\$0.11	(\$0.04)
Projected Weather Benefit				<u>\$0.04</u>
Q2 2020 EPS Estimate				<u><u>\$1.30</u></u>

Source: UBS Equity Research, Company Reports, FactSet

Eversource Energy

We expect Eversource Energy to report 2Q'20 EPS of \$0.75 vs \$0.70 in the prior year quarter (adjusted for a \$0.04 gain on landfill gas investments). 2Q'20 EPS will benefit from continuing investment in the regulated utility business, the transmission system and the gas LDC business (through pipeline replacement). Higher depreciation, property tax and interest will be a modest drag on earnings for the quarter. We expect ES will reiterate its full year earnings guidance \$3.60-\$3.70, EPS growth rate of 5-7% and capital spending plans.

On the investor call following the earnings release we expect ES to update investors on ongoing regulatory proceedings including its New Hampshire general rate case, the approval of its Columbia Gas acquisition and the RFP process addressing grid modernization in Connecticut.

Figure 18: Eversource Energy Q2'20 EPS Drivers

Q2'19	\$0.70
Regulatory actions (Nstar/CL&P/PSNH)	\$0.06
Transmission investment	\$0.03
Gas pipe trackers	\$0.01
O&M/Depreciation/Tax	-\$0.02
Weather (NH)	\$0.01
Equity Dilution	-\$0.04
Q1'20 Estimate	\$0.75

Source: UBS Equity Research, Company Reports, FactSet

Evergy Inc.

We forecast EPS of \$0.63 versus \$0.57 last year excluding the impact of income from corporate owned life insurance. Above normal weather and cost cuts will offset the impact of lower weather normalized sales. EVRG's guidance for O&M cuts is 6-9% from \$1.187B and we assume the higher end of the range. On the financing side we see an impact from the issuance of \$1.6B of parent debt.

Figure 19: EVRG Q2'20 EPS Drivers

Q2'19 Estimate	\$0.57
Weather to Normal	\$0.04
Weather	\$0.04
Weather Normal Sales	-\$0.08
O&M	\$0.09
KCP&L refinancing and term loan	\$0.01
Other	-\$0.01
Depreciation	-\$0.02
Interest on \$1.6B parent debt	-\$0.02
Share buyback	\$0.01
Q2'20 Estimate	\$0.63

Source: NOAA, Company reports, FactSet, UBS Equity Research

Exelon Corp

We expect Exelon to report 2Q 2020 adjusted EPS of \$0.45 vs. \$0.45 consensus and \$0.60 last year. Drivers at ExGen are expected to be poorer market and portfolio conditions, volume degradation from COVID-19 dislocations particularly at the Constellation C&I retail segment, higher nuclear refueling outages year on year, and lower capacity prices for two of the three months of the quarter. These negative drivers will be partially offset by incrementally higher ZEC revenues and lower O&M. At the utilities we expect a drag from the distribution ROE formula in Illinois and volumes at PECO, which will be more than offset collectively by weather at PECO, distribution investment at ComEd, the distribution rate increase at BGE and rate increases at PHI.

Figure 20: Exelon 2Q 2020 Drivers

2Q 2019	\$	0.60
<u>ExGen</u>		
Lower O&M	\$	0.06
NDT Fund Losses	\$	(0.02)
ZEC Revenues	\$	0.02
Market & Portfolio Conditions	\$	(0.10)
Nuclear Outages	\$	(0.02)
Capacity Revenue	\$	(0.11)
<u>ComEd</u>		
Distribution Formula Rate Timing	\$	(0.02)
Distribution Investment	\$	0.02
<u>PECO</u>		
Volumes/Weather	\$	(0.03)
<u>BGE</u>		
Distribution Rate Increases	\$	0.03
<u>PHI</u>		
Rate Increases	\$	0.02
<u>Corporate</u>		
Other	\$	0.01
1Q 2020	\$	0.45

Source: UBS Equity Research Estimates

FirstEnergy Corp.

We forecast \$0.53 of EPS versus \$0.61 last year. FE previously provided a guidance range of \$0.48-\$0.58/share. We do not expect weather had a significant impact across FE's service territory and the final quarter of the expiration of the Ohio distribution modernization rider is -\$0.06/share. We estimate that other riders contributed from Ohio and Pennsylvania \$0.02/share. The company incurred interest expense for the Energy Harbor payment but is now a fully regulated utility.

Figure 21: FE Q2'20 EPS

Q2'19	\$0.61
Normal Weather	\$0.01
Weather Normalized Distribution Deliveries	-\$0.02
Ohio Distribution Modernization Rider	-\$0.06
Other Rider Recovery	\$0.02
O&M Reduction	\$0.01
Other Financing	-\$0.01
Depreciation	-\$0.01
General Taxes	-\$0.01
Transmission Growth	\$0.02
Transmission O&M	-\$0.01
Parent and Transmisison Financing	-\$0.02
Q2'20 Estimate	\$0.53

Source: Company reports, FactSet, UBS Equity Research

Fortis Inc.

We expect Fortis Inc. to report 2Q 2020 adjusted eps of C\$0.57 vs. C\$0.58 consensus estimates and C\$0.54 last year. Drivers year on year will be rate base growth at the western Canadian utilities, rate base growth at ITC, rate design timing and rate base growth at Central Hudson and slightly better results at energy infrastructure with better rainfall in Belize and slightly better margins at Aitken Creek storage. Offsetting these positive drivers are higher weighted average shares from the C\$1.2Bln equity issuance completed in late 2019, and slightly lower results at UNS. Results at UNS will be driven by higher costs year on year on yet in rate base given the ongoing rate case in Arizona, and lower volumes related to coronavirus dislocations. These negative drivers are mostly offset by warmer weather and the partial reversal of the pension loss recorded in 1Q 2020.

Figure 22: Fortis Inc. 2Q 2020 Drivers

2Q 2019	\$ 0.54
Western CA Elec & Gas	\$ 0.03
US Transmission - ITC	\$ 0.03
Central Hudson	\$ 0.02
Energy Infrastructure	\$ 0.02
Corp & Other	\$ -
UNS Energy	\$ (0.01)
Wtd. Avg. Shares	\$ (0.06)
2Q 2020	\$ 0.57

Source: UBS Equity Research Estimates

Hawaiian Electric

We expect HE to report adjusted 2Q'20 EPS of \$0.40 vs. \$0.39 in the prior year quarter. Earnings in the quarter will be driven by the regulated utility, with growth through the tracking and recovery mechanisms and O&M efficiency, offset only

modestly by higher depreciation expense. We expect HE's American Savings Bank subsidiary will report lower earnings than in the prior quarter (\$0.10 vs. 0.14) due to the challenged economic environment in the state of Hawaii (closed to tourists till September). American Savings bank will report earnings on the evening of July 30.

We expect HE will reiterate its full year utility earning guidance of \$1.46-\$1.54, but will not reinstate earnings guidance for American Savings Bank given the continued economic uncertainty in the state. Further, we expect an update on the ongoing regulatory proceedings (PBR), cost saving initiatives and capital spending plans.

Figure 23: Hawaiian Electric Q2'20 earnings summary

Q2'19 - Utility	\$0.30
Regulatory actions (RAMMPIR etc.)	\$0.06
O&M efficiency	\$0.01
Depreciation	-\$0.01
Q2'20 Estimate	\$0.36
Earnings Composition	
Utility	\$0.36
Bank	\$0.10
Hold Co. & Other	-\$0.06
Q2'20 Estimate	\$0.40

Source: UBS Equity Research, Company Reports, FactSet

Hydro One

We expect Hydro One to report 2Q 2020 adjusted eps of C\$0.32 vs. C\$0.27 consensus and C\$0.26 last year. Results will be mainly driven by strong weather in May and June driving peak demand load higher which impacts transmission segment earnings. OM&A expenses are also likely to be lower given higher vegetation management and storm cost expenses in 2Q 2019 as well as stand down of work crews in part of April 2020. Some of those lower cost drivers will be partially offset by higher COVID-19 related mitigation costs. Revenues will also be up year on year related to the transmission rate order from the Ontario Energy Board, and the one-time regulatory dispositions and catch up items to be booked this quarter as a result.

Figure 24: Hydro One Estimates and Actual Results 2Q 2020 vs. 2Q 2019

C\$mIns	2Q 2019A	2Q 2020E
Revenue Net of Purch. Power	760	814
OM&A Costs	267	259
D&A	221	221
Finance Charges	117	119
Income Taxes	(6)	15
Other/NonCont/Pref. Divs	6	7
Net Income to Common	155	193
Shares Outstanding	595	595
Reported EPS	\$ 0.26	\$ 0.32
Items	-	-
Adj. NI	155	193
Shares Outstanding	595	595
Adjusted EPS	\$ 0.26	\$ 0.32

Source: UBS Equity Research Estimates

NextEra Energy

We expect NextEra Energy to report 2Q 2020 adjusted eps of \$2.49 vs. \$2.49 consensus and \$2.35 last year. Given the move of transmission from the corporate segment to the Energy Resource segment the comparable segment break-out for 2Q 2020 is \$0.97 at Energy Resources and \$0.01 at Corporate & Other. Drivers in the quarter will be rate base investments at FPL and at Gulf Power. From a retail sales perspective vs. the prior two year average was +5.4% in April and (2.4%) in May as coronavirus dislocations on volumes were not as large as expected and significantly warmer weather (particularly in April) offset some of the negative volume impacts. At the end of last quarter FPL had a reserve balance of \$744mln. At Energy Resources the drivers will be new investment and better results at existing resources given the 92/93% wind resource in 2Q 2019. Offsetting these positive impacts will be a drag from customer supply and trading and an outage at Seabrook. At Gulf we expect largely flat year on year results and at Corporate & Other we expect increased interest expense given debt issuance at the parent of \$1.25Bln in April at 2.75%, and \$2Bln in May at 2.25%. There will also be some share dilution year on year given equity unit share issuances in September 2019 and February 2020.

OGE Energy

We forecast EPS of \$0.50 versus \$0.50 last year. From a GAAP basis OGE's remaining 2020 results will include an offsetting \$0.26/share consolidating tax adjustment benefit for the remainder of the year related to the Enable write-down. We do not include that in our EPS estimates. Below normal weather and lower demand likely kept results similar to Q2'19. Rate case recovery and cost cuts likely helped OGE.

Figure 25: OGE Q2'20 EPS Summary

Q2'19	\$0.50
Weather to Normal	\$0.07
Weather	-\$0.03
Rates	\$0.09
O&M	\$0.02
Interest Expense	-\$0.01
Depreciation	-\$0.05
Sales	-\$0.08
ENBL	-\$0.01
Q2'20 Estimate	\$0.50

Source: Company reports, FactSet, UBS Equity Research

PG&E Corp.

We estimate Q2'20 EPS forecast of \$0.84 versus \$1.10 last year. The company will report earnings and should provide 1 or more years of annual EPS and potentially net income guidance. We estimate 695M shares outstanding using an average method and reflecting 2 trading days post close of the block equity (97% at 647M and the remaining 3% at the 2153M maximum) versus 529M last year. Other drivers are rate base (+\$0.02/share and energy efficiency (+\$0.01/share) as positives. We estimate negative drivers of unrecoverable interest and legacy O&M.

Figure 26: PCG Q2'20 EPS Summary

Q2'19	\$1.10
Rate base Growth	\$0.02
Energy Efficiency	\$0.01
Timing of Taxes	-\$0.01
Unrecoverable interest/other	-\$0.02
Shares outstanding (695M vs. 529M)	-\$0.26
Q2'20 Estimate	\$0.84

Source: Company reports, FactSet, UBS Equity Research

Pinnacle West Capital

We forecast \$1.55 of EPS versus \$1.28 last year. Weather which impacted residential demand and cost cuts led the quarter. The impact of May weather (194 versus 107 degree days) is an important driver. PNW disclosed that the impact from March 13 to May 26 was -\$0.14/share versus the company's initial expectation and that a 1% change in sales is \$0.16-\$0.20/share on an annual basis. PNW disclosed that residential sales rose 4% and commercial and industrial sales fell 4% versus 2019 from May 13 to June 16. There was 1 fewer planned outage and we expect PNW worked to offset the impact of lower demand through cost cuts.

Figure 27: PNW Q2'20 EPS Summary

Q2'19	\$1.28
Weather to Normal	\$0.22
Weather versus Normal	\$0.05
O&M	\$0.13
Pension and Other	\$0.06
Other	\$0.01
Sales	\$0.01
LFCR	-\$0.01
Interest	-\$0.01
Depreciation and Taxes	-\$0.03
Demand	-\$0.16
Q2'20 Estimate	\$1.55

Source: Company reports, FactSet, UBS Equity Research

PNM Resources

We expect PNM Resources to report Q2'20 EPS of \$0.50 vs. \$0.44 in the prior year quarter. Better weather in 2Q'20 is expected to offset the negative impact of the Covid-19 related shift in demand (-\$0.02 in both April & May), along with rate base growth and the absence of a San Juan maintenance outage. Interest expense, depreciation and property have a modestly negative impact on the quarter. In conjunction with the disclosure of its earnings release date (July 31), PNM affirmed its annual EPS guidance of \$2.16-\$2.26 (targeting the mid-point).

On its investor call we expect PNM will update investors on its ongoing proceeding in New Mexico to replace the power provided by the San Juan coal plant (decision deadline is October 1), the potential to retire the Four Corners generation station and any possible updates to the capital spending plan.

Figure 28: PNM Resources Q2'20 EPS Summary

Q2'19	\$0.44
Retail rate phase in (PNM & TNMP)	\$0.05
Retail load growth (PNM & TNMP)	\$0.00
Weather improvement	\$0.00
O&M improvement	\$0.00
Depreciation & property tax	-\$0.05
Interest Expense	\$0.00
San Juan Outage Costs	\$0.04
Transmission/Renewables/AFUDC	\$0.02
Q2'20 Estimate	\$0.50

Source: UBS Equity Research, Company Reports, FactSet

Portland General Electric

We forecast \$0.34 of EPS versus \$0.28 last year. Weather conditions were slightly below normal in POR's region with heating degree days down 13% and cooling degree days up 11%. POR's 1-2% sales baseline would imply a \$0.15/share reduction for the balance of the year. The company's guidance on non-fuel O&M

would imply a \$0.10-\$0.15/share reduction per quarter. Depreciation could fall in the \$104-\$106M range per quarter using the \$410-\$430M guidance and \$108M in Q1'20. We also expect an impact related to the non-qualified benefit program. POR had no portfolio changes but the recovery in the markets should help reverse some of the -\$0.06/share impact in 1Q'20. We expect an update on regulation in Oregon on the investor call although no resolution on the COVID-19 docket until 2022.

Figure 29: POR Q2'20 EPS Summary

Q2'19	\$0.28
Weather to Normal	\$0.04
Weather Normalized Demand	-\$0.07
Non-Fuel Operations and Maintenance	\$0.13
Employee Benefits	\$0.03
Depreciation	-\$0.02
PCAM to the Baseline	-\$0.05
Q2'20 Estimate	\$0.34

Source: Company reports, FactSet, UBS Equity Research

PPL Corporation

We expect lower EPS of \$0.57 versus \$0.58 last year. In general FX hedges (86% hedged at 1.55x) and small benefits from weather in Kentucky and the U.K. helped to offset the pandemic impacts and dilution. PPL continues to benefit from returns on transmission investment Pennsylvania.

Figure 30: PPL Q2'20 EPS Summary

Q2'19	\$0.58
Kentucky weather versus normal	\$0.01
Weather normalized KY sales	-\$0.03
FX 1.51x '20 vs 1.36x '19 Pound/US\$	\$0.03
Kentucky Rate Case	\$0.02
Other Expenses	-\$0.01
Transmission	\$0.01
U.K. weather	\$0.01
Other U.K.	-\$0.02
Dilution (770M versus 730M shares)	-\$0.02
Q2'20 Estimate	\$0.57

Source: Company reports, FactSet, UBS Equity Research

Public Service Enterprise Group

We expect Public Service Enterprise Group to report adjusted eps of \$0.59 vs. \$0.62 consensus and \$0.58 last year. At PSE&G we expect positive drivers of continued rate base growth, better weather year on year, lower distribution O&M, and better pension and OPEB. Partially offsetting these positive drivers are lower volumes as a result of coronavirus dislocations, and higher D&A, interest expense, and taxes. At PEG Power we expect positive drivers related to NJ ZECs for a full quarter in 2020 vs. 2019, lower O&M on cost controls, and lower D&A as a result of the extension of the Peach Bottom operating license to 80 years and the sale of

the Hudson and Mercer retired coal generation stations in January to Hilco Redevelopment Partners. Bridgeport Harbor 5 also went into service year on year increasing volumes at PEG Power all else equal. More than offsetting these positive drivers will be volume declines related to coronavirus dislocations and lower capacity prices in April and May, while price for the new capacity year took effect in June. At corporate and other we expect slightly higher taxes and slightly higher interest expense relate the \$800mln in term loans in March and April.

Figure 31: PEG 2Q 2020 Drivers

PEG Consolidated	2Q 2019A	2Q 2020E
	\$ 0.58	\$ 0.59
PSE&G		
2Q 2019	\$ 0.45	
Transmission	\$ 0.06	
Weather/Load	\$ (0.02)	
Gas Margin	\$ 0.01	
Distribution O&M	\$ 0.02	
D&A, Int.	\$ (0.02)	
Pension, OPEB	\$ 0.02	
Taxes & Other	\$ (0.02)	
2Q 2020	\$ 0.50	
PSEG Power		
2Q 2019	\$ 0.13	
ZECs	\$ 0.02	
Capacity Prices	\$ (0.05)	
Re-Contracting Mkt	\$ (0.01)	
Volume	\$ (0.02)	
O&M	\$ 0.06	
Int. Exp.	\$ (0.01)	
Lower Gas Sendout	\$ (0.01)	
1Q 2020	\$ 0.11	
Enterprise/Corporate		
2Q 2019	\$ -	
Int. Exp/Taxes	\$ (0.02)	
2Q 2020	\$ (0.02)	

Source: UBS Equity Research Estimates

Sempra Energy

We expect Sempra Energy to beat the quarter and report ongoing adjusted eps of \$1.65 vs. \$1.19 consensus and \$1.10 last year. The big beat will be driven by a shift in seasonality of the utility earnings given the delayed CPUC rate order last year which will impact both SDG&E, and SoCalGas. Further SDG&E will also have rate base growth at transmission and one-time benefits of ~\$60mln from the

CPUC tax memo account decision (as disclosed on page 48 in 1Q'20 10-Q). One slight offset at SDG&E will be wildfire related amortization. At SoCalGas, in addition to the impacts of the CPUC rate order we expect a one- time benefit of ~\$60mln similar to SDG&E also related to the CPUC tax memo account decision. In Texas we expect year on year rate base growth driving results higher by ~\$40mln, with minimal coronavirus disruption in the 2Q in Texas. For South America, the assets were divested in the quarter, however, Peru will have a one-month contribution to results and Chile will have a 3 month contribution to results, leaving overall results down ~\$30mln year over year. In Mexico results will be lower given Peso appreciation vs. the USD and a drag to capex deployment and volumes related to COVID-19. We see higher results at Sempra LNG & Midstream by ~\$30mln related to an additional 2 months of Cameron Train 2 in service offset by higher liquefaction project development costs. At Parent & Other we expect a reversal of the year over year pension and OPEB loss recorded in 1Q 2020 and slightly lower interest expense as Peru sale proceeds began to pay down debt in the quarter.

Southern Company

We expect Southern Company to report adjusted eps of \$0.64 vs. \$0.69 consensus, their \$0.65 guidance and \$0.80 last year. Drivers in the quarter will be coronavirus volume impacts only partially offset by O&M cost controls as those programs got started in the quarter and will have more impact in the second half of the year. The southeast also did not have the positive weather of most of the rest of the country so we expect a negative weather drag vs. the warmer than normal weather in 2Q 2019. There will also be a slight drag at Southern Power related to the divestiture of the Nacogdoches and Mankato power plants. At corporate & other we expect higher interest expense and share dilution. These negative drivers will be offset by some cost control impact on non-fuel O&M and the year on year retail revenue impacts from the Georgia rate case decisions in December 2019.

Figure 32: Southern Company 2Q 2020 Drivers

2Q 2019	\$ 0.80
Retail Sales	\$ (0.06)
Retail Rev. Impacts	\$ 0.05
Weather	\$ (0.08)
Wholesale Operations	\$ -
Other Op. Revenues	\$ -
Non-Fuel O&M	\$ 0.04
Int. Exp. D&A, Other	\$ (0.07)
Income Taxes	\$ -
SO Power	\$ (0.02)
SO Company Gas	\$ -
Parent & Other	\$ (0.01)
Increase in Shares	\$ (0.01)
2Q 2020	\$ 0.64

Source: UBS Equity Research Estimates

WEC Energy Group

We expect WEC to report adjusted eps of \$0.67 vs. \$0.67 consensus estimates and \$0.74 last year. We see drivers year on year of lower volumes due to coronavirus economic disruptions and higher interest expense, D&A and lack of fuel band earnings in 2Q 2020 vs. 2Q 2019. These negative drivers will be mostly offset by efficiencies in O&M year on year, slightly better results at energy infrastructure from Coyote Ridge and the incremental 10% ownership stake in Upstream Wind, and slightly better results at ATC transmission due to the FERC ROE decision and rate base growth. Weather was also better year over year.

Xcel Energy

We expect Xcel Energy to report adjusted 2Q'20 earnings of \$0.49 vs. \$0.47 in the prior year quarter. Our estimate assumes load loss associated with the Covid-19 related economic shut down reduce earnings by \$0.11 in the quarter, offset by \$0.05 of lower O&M. This assumption is consistent with the company's 'base case' scenario which assumes a total annual EPS impact of \$0.17, and we spread the offsetting projected O&M savings assumption (4-5% of prior year) over the three remaining three quarters of the year as an offset. Q2 EPS benefit from higher regulated rates and AFUDC earnings which offset higher depreciation, property tax and interest expense. We expect XEL will maintain its 5-7% EPS growth target, and 2020 EPS guidance of \$2.73-\$2.83.

On the investor call following the earnings release we expect XEL to provide some additional colour around its Minnesota filing to both pull forward capital spending plans and extend its current rate case stay out agreement. Hearings in this process are scheduled for July 29 to discuss the process and procedure. To date, none of the company's other jurisdictions have followed Minnesota in exploring a potential acceleration of capital spending in order to drive additional economic growth and employment.

Figure 33: Xcel Energy Q2'20 EPS Summary

Q2'19		\$0.47
	Base Case Annual	Quarterly Impact
Load Loss - 6%	(\$0.17)	(\$0.11)
O&M Savings - 4.5% (After Tax)	\$0.15	\$0.05
Est. Qtrly Impact of Covid-19 Shutdown		(\$0.06)
MNND/SDNM revenue step-up		\$0.04
Property tax up/AFUDC down		\$0.04
Q2'20 Estimate		\$0.49

Source: UBS Equity Research, Company Reports, FactSet

Water Utilities

American Water Works.

We expect American Water Works to report adjusted 2Q'20 EPS of \$0.99 vs. \$0.94 in the prior year quarter (which included both a negative \$0.05 weather impact and \$0.03 benefit from the sale of a legacy investment). Quarterly earnings should benefit from higher rates (achieved through regulatory proceedings and formulaic step increases), infrastructure charges and favorable spring weather.

These benefits will likely be offset by higher depreciation and interest expenses. On its investor call, we expect AWK will reiterate its 7-10% EPS CAGR guidance, capital spending plans (\$8.8-\$9.4 billion through '24), full year earnings guidance (GAAP \$3.85-\$3.95/operating \$3.79-\$3.89) and developments in both its regulated and market based businesses.

American States Water

We expect AWR to report adjusted 2Q'20 EPS of \$0.70 vs. \$0.64 in the prior year quarter (after adjusting for the retroactive impact of a CPUC decision: \$0.08). Year over year earnings growth is attributable to rate base investment (second step increase in CA rates effective 1/1/20), demand growth and modestly lower depreciation expense (offset by higher administrative & general expense). In conjunction with its quarterly earnings release, we expect AWR will update investors on the impact of the Covid-19 pandemic (memorandum account), its contracted services business and regulatory schedule in California (a GRC may be filed by the time of the earnings release).

California Water

We expect CWT to report adjusted 2Q'20 EPS of \$0.51 vs the prior year quarter of \$0.35. Without a final general rate case decision (PD may come by the end of July), we expect there will be no year over year revenue increase. Our projected step up in earnings is derived from a reversal of the Q1 charges associated with the loss on benefits adjustment and the pension expense that we attribute to the recovery of the broader market. These benefits may be offset by higher depreciation and operating expense. Absent a decision in the pending general rate case around the contested revenue adjustment mechanisms, we believe this quarter results will be similar in character to those of the first quarter, that is somewhat distorted vs. normal. That said it is possible that we will see a proposed decision in the general rate case prior to the earnings release.

SJW Group

We expect SJW to report adjusted ongoing 2Q'20 EPS of \$0.70 vs \$0.58 from the prior year quarter. Q2'20 earnings will benefit from the rate base growth and investment, and the close of the Connecticut Water acquisition (October '19). In conjunction with its earnings release we expect SJW will update investors on its water production costs, ongoing regulatory calendar and the memorandum account it has established to manage costs associated with the ongoing Covid-19 pandemic. SJW updated its annual guidance on its first quarter call to a range of \$1.95-\$2.05, we do not expect any change or adjustment to this guidance after what is largely considered a shoulder quarter for California water utilities.

Essential Utilities

We expect Essential Utilities to report adjusted 2Q'20 EPS of \$0.26 vs. the prior year quarter (pre Peoples Gas acquisition and excluding acquisition related costs) of \$0.37. This estimate is consistent with the company's annual guidance of \$1.53-\$1.58 and its expectations for earnings dispersion across the year (35-45% in Q1/10-20% in Q2/10-20% in Q3/25-35% in Q4). While annual guidance is largely theoretical given the timing of the Peoples Gas deal close and its inclusion in earnings at an assumed level, Q2 will be the first full quarter for the whole entity and should provide investors with useful insight (albeit in a slow quarter for a gas LDC) of the company's earnings power. Earnings drivers for the quarter include positive weather (warm & dry spring season), rate increases across the company's

operating jurisdictions, somewhat lower expenses associated with 'work from home' environment.

In conjunction with its earnings release, we expect WTRG will update investors on the integration of its Peoples Gas acquisition, its pending acquisition of DELCORA (and the timing of the associated equity) and other potential M&A activity (Chester Water Authority, Norristown etc.). We also expect an update on the company's 'catch-up' repairs tax adjustment filing in Pennsylvania and pending federal infrastructure legislation.

Independent Power Producers

NRG Energy

We expect NRG Energy to report ongoing Adjusted EBITDA of \$533mln vs. \$528mln consensus estimates and \$469mln last year. We expect drivers over year to be incremental EBITDA from the Stream retail acquisition, continued margin enhancement at the retail business and warmer weather year on year. This warmer weather is likely to offset any coronavirus bad debt or volume related impacts in the quarter, which we expect to be less impactful overall than originally estimated in March.

On the 1Q 2020 earnings call update, NRG indicated that they were 98% hedged in the East/West segment for the balance of 2020 and had the integrated hedge in ERCOT through retail. For 2022, hedging levels were 22% in the East/West segment at the time of the 1Q 2020 earnings call.

We are also updating our annual Adjusted EBITDA estimates on a mark to market basis to \$1,986/\$1,840/\$1,737mln from \$1,914/\$1,813/\$1,773mln for '20/21/22 respectively.

Vistra Energy

We expect Vistra Energy to report ongoing Adjusted EBITDA of \$819mln vs. \$749mln consensus estimates, and \$707mln last year. We expect operational performance improvement cost cutting initiatives (OPIs) to begin to show impact in the quarter and to largely if not completely offset the impact of lower capacity revenues for the non-ERCOT generation businesses. We expect ERCOT results will be higher by ~\$50mln year-year as that segment also captures OPIs and we do not expect bad debts to be as high as anticipated by management on the 1Q call, at least in 2Q 2020 given that Texas did not significantly lock down. Further the capture of ~\$60mln in the guidance walk on the 1Q conference call discussed by management was largely in 1Q but there will be some residual impact carried into the 2Q period. At retail we expect that results will be higher year over year related to the acquisitions of both the Crius and Ambit retail businesses. This will not be damped by mild weather as in 1Q and will somewhat shift the seasonality of results for Vistra more toward 1Q, 2Q, and 4Q and away from 3Q.

On the 1Q 2020 earnings call update, VST indicated that they were 100% hedged across the non-natural gas generation fleet and 97% hedged at the gas fleet for the balance of 2020. In 2020 hedging levels were 72% at the non-natural gas fleet and 36% at the natural gas fleet for 2021, with the largest open position at the natural gas fleet in ERCOT and PJM.

We are also updating our annual Adjusted EBITDA estimates on a mark to market basis to \$3,444/\$3,087 /\$3,076mln from \$3,287/\$3,195/\$3,074mln for '20/21/22 respectively.

Figure 34: Vistra Energy Adj. EBITDA – 2Q 2019A vs. 2Q 2020E

US\$mIns	2Q 2019A	2Q 2020E	Variance
Retail	293	355	62
ERCOT	156	206	50
PJM	167	167	-
NY/NE	91	91	-
MISO	1	1	-
Non-Seg Ops	(1)	(1)	-
Asset Closure	-	-	-
Total	707	819	112

Source: UBS Equity Research Estimates

Figure 35: Actual Power Price Comparisons (\$/MWh)

ISO	Hub	2Q '20	2Q '19	Change
ISO NE	Internal Hub	19.07	24.02	(4.96)
NYISO	Zone G	15.54	20.98	(5.44)
PJM	AEP-Dayton	18.60	24.38	(5.78)
PJM	Eastern	15.89	22.48	(6.58)
PJM	N Illinois	15.90	22.19	(6.29)
PJM	PSEG	16.12	21.54	(5.41)
PJM	Western	18.01	24.07	(6.06)
MISO	Indiana	20.24	25.23	(4.99)
MISO	Michigan	21.00	25.67	(4.67)
ERCOT	North	16.45	25.09	(8.64)
ERCOT	Houston	18.66	26.28	(7.62)
ERCOT	West	15.04	23.34	(8.30)
CAISO	NP15	21.15	21.18	(0.04)
CAISO	SP15	19.31	21.64	(2.33)

Source: S&P Global Market Intelligence, UBS Equity Research Estimates

Figure 36: Power Price Comparisons & Spark Spread Trends (\$/MWh)

Period	ISO	Hub	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Q220	ISO NE	Internal Hub	\$ 9.93	\$ 10.85	\$ 10.88	\$ 11.47	\$ 13.18	\$ 12.02	\$ 12.46
Q219	ISO NE	Internal Hub	\$ 10.92	\$ 12.49	\$ 11.90	\$ 8.72	\$ 5.71	\$ 6.54	\$ 6.20
		Change	\$ (0.99)	\$ (1.64)	\$ (1.02)	\$ 2.75	\$ 7.47	\$ 5.48	\$ 6.25
Q220	PJM	Eastern	\$ 12.27	\$ 13.50	\$ 13.86	\$ 14.32	\$ 15.04	\$ 15.52	\$ 15.56
Q219	PJM	Eastern	\$ 13.60	\$ 12.36	\$ 11.82	\$ 11.69	\$ 11.24	\$ 11.12	\$ 11.54
		Change	\$ (1.33)	\$ 1.14	\$ 2.05	\$ 2.63	\$ 3.80	\$ 4.40	\$ 4.01
Q220	PJM	Western	\$ 14.35	\$ 15.87	\$ 15.92	\$ 16.16	\$ 16.56	\$ 16.69	\$ 16.91
Q219	PJM	Western	\$ 14.47	\$ 15.50	\$ 14.61	\$ 14.53	\$ 14.28	\$ 13.66	\$ 14.08
		Change	\$ (0.12)	\$ 0.37	\$ 1.32	\$ 1.63	\$ 2.28	\$ 3.03	\$ 2.83
Q220	ERCOT	Houston	\$ 33.20	\$ 22.13	\$ 20.05	\$ 19.38	\$ 18.82	\$ 17.92	\$ 16.11
Q219	ERCOT	Houston	\$ 22.74	\$ 22.67	\$ 20.44	\$ 17.41	\$ 15.01	\$ 12.05	\$ 9.39
		Change	\$ 10.46	\$ (0.54)	\$ (0.39)	\$ 1.97	\$ 3.81	\$ 5.87	\$ 6.72

Source: S&P Global Market Intelligence, UBS Equity Research Estimates

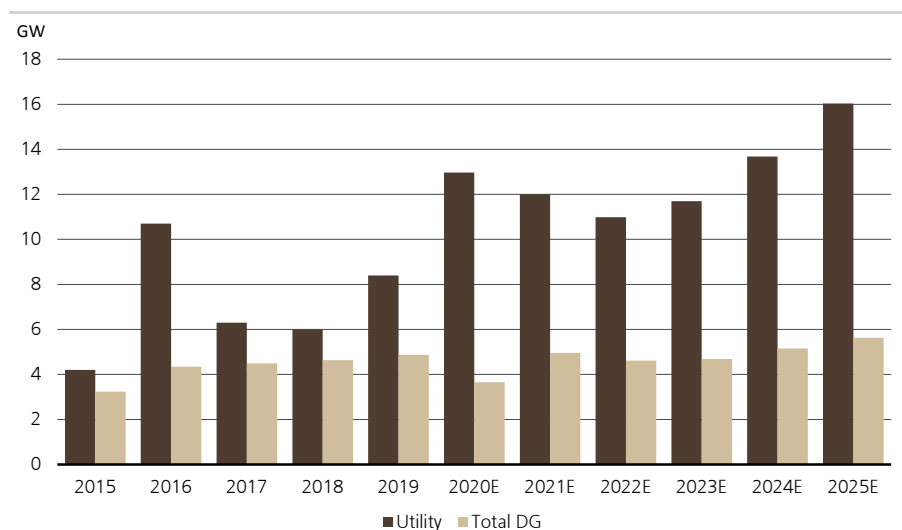
Alternative Energy 2Q20 preview

Key issues for the quarter

We expect 2Q20 results calls to focus on 1) Strength of the post-COVID recovery in distributed solar demand 2) potential policy support following the election and 3) RUN/VSLR deal impact on supply chains and potential to drive adoption of residential storage. We expect the market to look past trough 2Q actuals which are likely to be noisy; FSLR consensus revenue estimate dispersion is at the widest since 3Q17.

Our top pick in our Alternative Energy coverage is Generac (GNRC, Buy, PT \$145) with exposure to accelerating residential solar + storage demand. See our GNRC initiation [here](#).

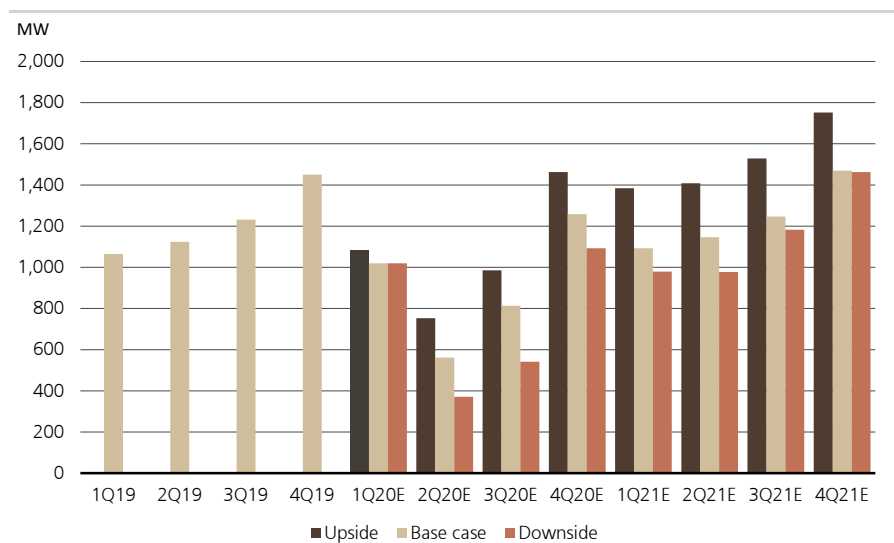
Figure 37: U.S. new solar installations (GW)



Source: EIA, IRENA, SEIA, Wood Mackenzie, UBS estimates

Recent [comments](#) from RUN indicate demand potentially tracking closer to our upside case for a 33% y/y 2Q decline in distributed solar demand.

Figure 38: U.S. distributed solar demand – quarterly forecast



Source: EIA, SEIA, Wood Mackenzie, UBS estimates

Company specific focus areas

- FSLR:** We expect a 2Q20 loss per share of \$0.04 driven by lower systems segment contribution from project sale timing delays. Consensus 2Q20 adj. EPS is currently \$0.30. FSLR previously pulled 2020 financial guidance but maintained module production guidance of 5.9GW indicating confidence in manufacturing execution. Uncertainty of systems sales remains driven by timing rather than quantity. Management flagged a sequential quarterly decline in module ASP with 1Q20 having benefitted from safe harbor demand. UBSe 2Q20 module ASP is \$0.36/watt.
- SPWR:** 2Q20 revenue guide of \$290-330mn implies down 27-36% q/q & down 32-40% y/y. Adj. EBITDA guidance is negative \$40-20mn. We expect a sequential recovery in earnings after 2Q but note SPWR has over 50% market share in the new home solar market which could be a drag in 2H20. On the 16 July Maxeon analyst day management highlighted the Maxeon spin remains on track to close in 3Q20. Preliminary Maxeon results were provided for 2Q20 revenue of \$160-170mn, down 40% y/y at the midpoint driven by 8 week production shut downs. We expect Maxeon to continue to focus on deploying a base of premium-quality modules while driving faster growth through expanding sales of lower-cost modules produced by the TZS JV in China. Maxeon currently arranged financings provide enough liquidity to cover the expected \$385mn investment in capacity expansion through 2022.
- CSIQ:** 2Q20 guidance is 2.5-2.7GW module shipments, \$630-680mn revenue, and gross margin 18.5-20.5%. 2020 shipment guidance 10-12GW. We see risk of industry overcapacity potentially dragging on profit margins into 2H20. Key uncertainty for utility scale solar exposure remains project sale timing and price. Project revenue has comprised 24% of total net sales over the last 5 years. We look for an updated on CSIQ's prior suspension of its share repurchase program.
- JKS:** 2Q20 guidance is 4.2-4.5GW shipments, \$1.1-1.18bn revenue, and 16-18% gross margin. 2020 shipment guidance is 18-20GW. We forecast module ASP declining ~10% 2Q20 q/q with margin pressure persisting through 2020.

JKS management is targeting cost reductions to offset ASP pressure and maintain ~flat margin to 2Q20.

- **RUN:** RUN's latest commentary implies 2Q20 deployments better than the previous 30% y/y decline expectation. Our 2Q20 deployment estimate is 77MW, -25% y/y. We expect focus on the conference call around potential impacts on the inverter supply chain following RUN's acquisition of VSLR. Based on our analysis of California distributed solar data, RUN installs have historically use a ~50/50 mix of SEDG and ENPH inverters with VSLR primarily using ENPH equipment.
- **SEDG:** 2Q20 revenue guidance of \$305-335mn implies a decline of 22-29% q/q. The 2Q guidance is well ahead of ENPH's 2Q revenue guide for a 37-44% q/q decline. SEDG noted a 33% y/y decline in U.S. installations in April and we see likely sequential improvement in May-June. 2Q20 gross margin guidance of 30-32% reflects margin pressure driven by higher European sales mix, with a U.S./Europe margin differential of 450bps, partially offset by 200bps margin improvement on reduced air shipments.
- **GNRC:** We forecast 2Q20 adj. EPS of \$0.68, reflecting -43% y/y growth driven by a 40% y/y 2Q decline in C&I segment sales. GNRC provided only directional 2Q guidance for a modest sequential decline in net sales (UBSe \$449mn) and adj. EBITDA margin (UBSe 15.7%). Our focus will be on customer adoption of Clean Energy products and GNRC's progress in shifting its manufacturing to Vietnam (which we expect to have largely been completed in June). See our recent initiation [here](#).
- **HASI:** Long-term core EPS growth guidance of 2-6% off a 2017 baseline remains intact implying core EPS of \$1.43 in 2020 at the midpoint. We model 2Q20 core EPS of \$0.33.
- **ORA:** We forecast 2Q20 adj. EPS of \$0.39 and adj. EBITDA of \$98mn reflecting typical seasonality of electricity generation. ORA 2020 guidance is revenue \$710-740mn and adj. EBITDA \$400-415mn. The Puna plant re-start previously pushed to 4Q20 and we look for an update on progress toward completing permitting & necessary transmission upgrades. The emerging market assets continue to be a source of concern. Trade receivables reached \$169mn, and DSO is at 93 days, up from 73 days in 1Q19. See our read-throughs from California Public Utility Commission's latest Integrated Resource Plan [here](#).
- **TPIC:** We expect 2Q20 line utilization of 70% driven by Juarez & Matamoros COVID-19 related shutdowns. 2Q20 UBSe adj. EBITDA is \$22mn. We expect cumulative 2020-2021 wind demand to remain intact with the impact to TPIC earnings being one of timing. In addition, customer pushout of blade transitions could help mitigate the COVID related earnings impact to 2020 by reducing TPIC's blade transition costs.

Figure 39: Alternative Energy key estimates

Company	Ticker	Quarterly				Annual		
		Scheduled Reporting	2Q20E	2Q20E	UBS Vs.	2020E	2020E	UBS Vs.
		Date	UBS	Consensus	Consensus	UBS	Consensus	Consensus
ALTERNATIVE ENERGY								
Hannon Armstrong	HASI	29-Jul est.	\$0.33	\$0.32	\$0.01	\$1.50	\$1.47	\$0.04
Generac	GNRC	30-Jul	\$0.68	\$0.88	(\$0.20)	\$4.18	\$4.38	(\$0.20)
First Solar	FSLR	30-Jul est.	(\$0.04)	\$0.32	(\$0.36)	\$3.39	\$2.82	\$0.58
Ormat Technologies	ORA	4-Aug	\$0.39	\$0.39	(\$0.00)	\$1.74	\$1.77	(\$0.04)
Sunpower	SPWR	4-Aug est.	(\$0.30)	(\$0.38)	\$0.08	(\$0.27)	(\$0.44)	\$0.17
SolarEdge	SEDG	5-Aug est.	\$0.74	\$0.53	\$0.21	\$4.22	\$3.06	\$1.16
TPI Composites	TPIC	5-Aug est.	\$0.04	(\$0.23)	\$0.27	\$0.35	\$0.41	(\$0.05)
SunRun	RUN	6-Aug est.	(\$0.01)	\$0.07	(\$0.08)	(\$0.23)	\$0.15	(\$0.37)
Canadian Solar	CSIQ	13-Aug est.	(\$0.13)	(\$0.06)	(\$0.07)	\$2.47	\$2.91	(\$0.44)
Jinko Solar Holding Company	JKS	20-Aug est.	\$0.98	\$0.66	\$0.32	\$3.77	\$3.61	\$0.16

Source: Company reports, FactSet, UBS research estimates.

Environmental Services 2Q20 preview

Progress on recovery in waste volumes

We expect relatively upbeat 2Q20 conference call as the recovery in municipal solid waste appears to be firmly underway. At the UBS Industrial and Transportation conference in early June, Management's noted continued w/w improvements in commercial waste volumes & landfill tons following the bottom in April. In addition, WCN pre-announced high-level results on 9 July driving a 4% increase in our 2Q20 revenue estimate.

As we approach the election we expect increased focus on potential for higher corporate tax rates. Broadly, every 1% increase in the corporate tax rates (from 21% to 22%) drives a 0.6% decrease in MSW FCF.

Re-issuing 2020 guidance

We expect most of the waste names will re-issue 2020 guidance with 2Q20 results. In our view, names best positioned to exceed expectations are nationally diversified players (WM, RSG, WCN) that were likely able to mitigate the impact of the relatively more restrictive COVID-19 shutdowns in the U.S. Northeast. For CVA, CLH, and ECOL waste volumes expected to recover sequentially after 2Q20 but likely to ramp more slowly than for the MSW haulers.

Figure 40: Environmental Services business exposures

Metric 2020E	WM	RSG	WCN	ADSW	CWST	CVA
2020 revenue (\$bn)	14.9	9.6	5.3	1.5	0.7	1.9
N. American market share	24%	16%	9%	2%	1%	3%
Geographic						
U.S. Northeast	22%	18%	22%	26%	100%	47%
U.S. South	24%	34%	17%	36%	0%	33%
U.S. Midwest	23%	20%	12%	38%	0%	7%
U.S. West	24%	28%	33%	0%	0%	10%
Canada/other	7%	0%	16%	0%	0%	3%
Total	100%	100%	100%	100%	100%	100%
Revenue composition						
Residential collection	17%	19%	21%	25%	17%	0%
Commercial collection	22%	25%	26%	23%	18%	0%
Industrial collection	15%	18%	14%	15%	17%	0%
Total collection	54%	62%	61%	63%	52%	0%
Other operations						
Transfer	9%	11%	12%	10%	9%	10%
Disposal	19%	20%	20%	21%	18%	56%
Recycling	7%	3%	1%	1%	5%	5%
E&P	1%	2%	4%	1%	2%	0%
Other operations	10%	2%	2%	4%	14%	29%
Total	100%	100%	100%	100%	100%	100%
Cost composition						
SGA as % of revenue	10.4%	10.3%	10.0%	11.6%	11.9%	5.1%
Opex as % of revenue	62%	62%	-85%	64%	70%	75%

Source: Company reports, UBS Research estimates

Figure 41: UBSe, Consensus, prior guidance table

Ticker	Metric	Original 2020 guidance			UBSe	Consensus
		Low	Mid	High		
<u>WM</u>						
	Price		2.5%		1.1%	
	Volume		1.5%		-7.4%	
	Adj. EBITDA (\$bn)	4.56	4.61	4.66	4.14	4.05
	FCF (\$bn)	2.15	2.20	2.25	2.82	1.81
	Capex (\$bn)	1.70	1.75	1.80	1.65	1.59
<u>RSG</u>						
	Price		3.0%		1.1%	
	Volume	0.8%	0.9%	1.0%	-7.0%	
	Sales growth	4.3%	4.6%	5.0%	-6.4%	-3.4%
	Adj. EBITDA (\$bn)	3.05	3.08	3.10	2.65	2.73
	Adj. EPS	3.48	3.51	3.53	2.51	2.79
	Adj. EBITDA (\$bn)	3.05	3.08	3.10	2.65	2.73
	FCF (\$bn)	1.18	1.20	1.23	1.01	1.03
	Capex (\$bn)		1.20		1.16	1.13
<u>WCN</u>						
	Sales (\$bn)	5.73	5.75	5.78	5.35	5.34
	Adj. EBITDA (\$bn)	1.76	1.77	1.79	1.61	1.58
	Net income (\$mn)	653	661	668	522	630
	FCF (\$bn)	975	988	1000	899	850
<u>CWST</u>						
	Price	3.5%	4.0%	4.5%	3.0%	
	Volume	-0.5%	0.0%	0.5%	-8.2%	
	Sales (\$mn)	800	808	815	735	757
	Adj. EBITDA (\$mn)	170	172	174	151	152
	Net income (\$mn)	35	37	39	18	24
	FCF (\$mn)	60	62	64	46	51
	Capex (\$mn)		113		101	102
<u>CVA</u>						
	Adj. EBITDA (\$mn)	415	430	445	390	402
	FCF (\$mn)	100	120	140	16	74
<u>CLH</u>						
	Adj. EBITDA (\$mn)	545	565	585	466	449
	FCF (\$mn)	210	225	240	207	175
<u>ECOL</u>						
	Adj. EBITDA (\$mn)	230	240	250	198	184
	Adj. EPS	1.65	1.89	2.12	0.91	0.70
	FCF (\$mn)	81	94	106	72	50
	Capex (\$mn)	90	93	95	79	68

Source: FactSet, company reports, UBS research estimates. Note: UBSe for WM reflects partial year contribution from ADSW acquisition. All companies have withdrawn original 2020 guidance in light of COVID-19 pandemic.

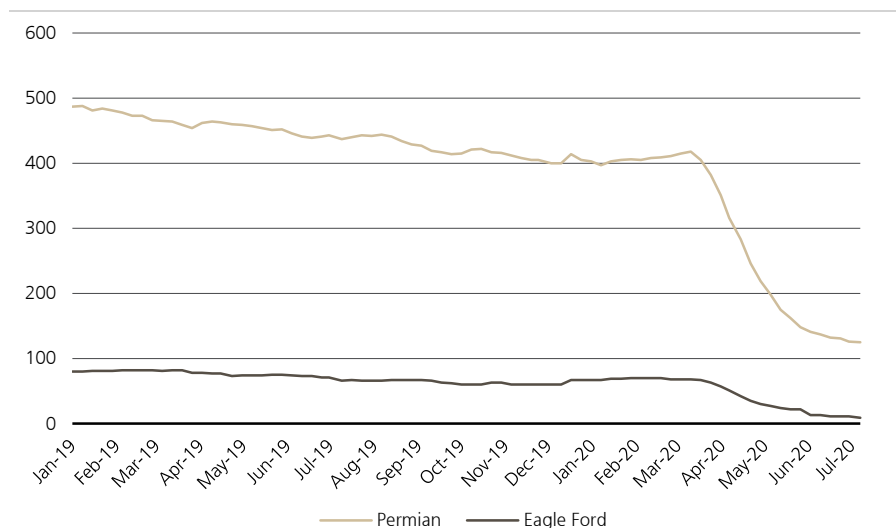
Company specific focus areas

- **WM:** WM's well-diversified national exposure should help mitigate the most severe of the shutdown impacts on the U.S. Northeast (22% of revenue) and Canada (7% of revenue). WM's acquisition of ADSW is now expected to close 3Q20. WM expects to redeem ~\$3bn of outstanding senior notes issued in May 2019 under the redemption provision that the deal be closed by 14 July 2020. Assuming refinancing at current rates we see a potential ~\$27mn annual interest savings and \$1.20/sh share price accretion at a 5% FCF yield.
- **RSG:** We forecast 2Q20 volumes down 14% y/y and adj. EBITDA of \$596mn. RSG had previously disclosed 40% decremental EBITDA margin on the entire company driven by declines in high margin small container and landfill volumes. At our UBS Industrials & Transportation conference in early June, management highlighted continued improvement in volumes through May and expectations for a good June result. In addition, the company has seen no material change in DSO to-date.
- **WCN:** WCN pre-announced high level 2Q results. See our note [here](#). 2Q revenue declined 4.7% y/y (\$1.3bn; +1.5% to consensus) with adj. EBITDA margin down 90-100bps y/y (\$392-394mn; +6.8% to consensus at mid-point). WCN highlighted same store solid waste revenue down 5.3% y/y and down 1.3% y/y excluding Canada and the U.S. Northeast. In addition WCN closed \$50mn in new annualized revenue of new tuck-ins. We had previously expected a pause on acquisition spending in 2Q-3Q20. We expect WCN to re-issue formal 2020 guidance with the 2Q20 results and see FY2020 revenue tracking above the \$5.25bn baseline provided previously.
- **ADSW:** ADSW will not be hosting an earnings conference call given the announced acquisition by WM. We do not expect the stock to trade on results given expected near-term acquisition closure.
- **CWST:** CWST's Northeast footprint suggests a more muted recovery than that experienced by WCN (and likely other nationally diversified players). We forecast 2Q20 volumes to decline 15% y/y. Our 2Q20 adj. EBITDA is \$35mn, down 13% y/y. As of the 1Q results call, CWST expected a 150-200bps negative headwind to adj. EBITDA margin from COVID-19. Excluding M&A, the April y/y revenue impacts by product line were: Residential: 0%, Commercial -9.3%, Roll-off -26%, Disposal -14.4%, Resource Solution +1%. CWST noted a sequential up-tick from trough demand in late-April and May.
- **CVA:** Given CVA's Northeast concentration we expect a relatively slower recovery ramp than for the large national solid waste names, however we expect waste volumes for CVA have continued to improve off of April lows. Our 2Q20 adj. EBITDA is \$68mn, down 28% y/y. Management previously highlighted April tip fee pricing down \$4-6 per blended tip fee ton, or approximately 7-10% vs. 2Q19 averages and ~\$5mn per month impact. See our recent upgrade of CVA to Buy [here](#).
- **CLH:** We forecast 2Q20 adj. EBITDA of \$92mn, -39% y/y. We see CLH's Safety Kleen segment taking the brunt of COVID related impacts, with segment revenue down 30% y/y in April but improving sequentially through June. CLH has completed ~\$50mn of decontamination work related to COVID-19. As of 1Q20 CLH had closed half of its refinery capacity to reduce fixed costs and we

look for an update on potentially restarting these assets. Expect management to issue revised guidance with the 2Q results.

- **ECOL:** We forecast 2Q20 adj. EBITDA \$39mn, ~flat y/y despite contribution from the NRCG acquisition. April & May likely reflecting trough months with the recovery in earnings underway in June. For the ES segment, management had previously flagged base business declines (~30% of revenue) of 10-15% y/y in April and likely similar May impact. Rig count has yet to find a bottom indicating pressure on ECOL's E&P waste revenues continuing to worsen in 3Q. ECOL has energy waste landfill exposures in the Permian (avg. 2Q rig count down 55% y/y) and Eagle Ford (avg. 2Q rig count down 63%) basins.

Figure 42: North America rig count



Source: Baker Hughes, UBS Research

Figure 43: Environmental Services EPS estimates

Company	Ticker	Quarterly				Annual		
		Scheduled			UBS			UBS
		Reporting	2Q20E	2Q20E	Vs.	2020E	2020E	Vs.
		Date	UBS	Consensus	Consensus	UBS	Consensus	Consensus
ENVIRONMENTAL SERVICES								
Clean Harbors	CLH	29-Jul est.	\$0.07	(\$0.00)	\$0.07	\$0.99	\$0.85	\$0.14
Advanced Disposal Services	ADSW	30-Jul	(\$0.02)	(\$0.01)	(\$0.01)	\$0.02	\$0.14	(\$0.12)
Covanta Holding Corp	CVA	30-Jul	(\$0.24)	(\$0.19)	(\$0.05)	(\$0.34)	(\$0.29)	(\$0.05)
Waste Management	WM	30-Jul	\$0.74	\$0.77	(\$0.04)	\$3.49	\$3.68	(\$0.19)
Casella Waste System	CWST	3-Aug	\$0.05	\$0.05	(\$0.00)	\$0.44	\$0.52	(\$0.08)
US Ecology	ECOL	5-Aug est.	\$0.22	(\$0.02)	\$0.24	\$1.24	\$1.12	\$0.12
Republic Services	RSG	6-Aug	\$0.47	\$0.56	(\$0.09)	\$2.51	\$2.79	(\$0.28)
Waste Connections	WCN	6-Aug	\$0.49	\$0.54	(\$0.06)	\$2.36	\$2.38	(\$0.02)

Source: Company reports, FactSet, UBS research estimates.

Figure 44: Environmental Services EBITDA estimates (\$mn)

Company	Ticker	Quarterly				Annual		
		Scheduled Reporting	2Q20E	2Q20E	UBS	2020E	2020E	UBS
		Date	UBS	Consensus	Vs. Consensus	UBS	Consensus	Vs. Consensus
ENVIRONMENTAL SERVICES								
Clean Harbors	CLH	29-Jul est.	106	93	14.2%	474	447	6.0%
Covanta Holding Corp	CVA	30-Jul	68	77	-11.5%	381	403	-5.5%
Advanced Disposal Services	ADSW	30-Jul	93	87	7.2%	374	390	-4.2%
Waste Management	WM	30-Jul	908	922	-1.5%	4,141	4,067	1.8%
Casella Waste System	CWST	3-Aug	35	33	5.5%	151	153	-1.3%
US Ecology	ECOL	5-Aug est.	49	39	24.4%	211	184	14.4%
Republic Services	RSG	6-Aug	596	608	-2.0%	2,652	2,729	-2.8%
Waste Connections	WCN	6-Aug	393	376	4.6%	1,609	1,576	2.1%

Source: Company reports, FactSet, UBS research estimates.

Valuation Method and Risk Statement

Our valuation methodology for North American utilities is price to earnings based. The adjustments applied fall into 6 categories. These are as follows: 1) Group Valuation Bias: Flowing from our valuation work comparing Baa corporate yields to group dividend yields and RU price to earnings ratios to those for the S&P 500, we incorporate a positive or negative adjustment to our group multiple representing the gap we calculate to the nearest 5%; 2) Growth Adjustment: We adjust our valuations based on the growth quartile each utility occupies. First quartile receives a 5% premium, second quartile a 2% premium, third quartile a 2% discount and fourth quartile a 5% discount; 3) Regulatory Adjustment: Our valuation adjustments for regulation are based on our proprietary Regulatory Rankings. First quartile jurisdictions receive 5%, second quartile 2%, third quartile -2% and fourth quartile -5%; 4) Earnings Consistency Adjustment: For companies that fall in the top quartile of % Time Beat/Meet, we include +5%; 5) Multi Utility Diversified Valuation: For multi utilities (those with more than 15% diversified or foreign earnings), we perform a sum-of-parts analysis applying business/region appropriate valuations to those diversified businesses; 6) One-off Adjustments: In special situations, we value risk on an issue specific basis. Common areas where we apply such an adjustment include: ESG advantage, large project construction risk, legal risk, and announced M&A completion risk. We identify the following risk factors for the sector overall: rising interest rates; regulatory and policy risks; operational risks; construction risks; cybersecurity risk to the transmission grid and/or customer data, and extreme weather events.

Our valuation methodology for the IPPs is based on mid-cycle EV/EBITDA multiples of 7.2x on UBSe 2020 EBITDA, UBSe 2020 Net Debt, the NPV of hedges and any NOLs discounted to the current year at 8%, and UBSe 2020 share count.

Our valuation methodology for the Alternative Energy space is based on a variety of metrics including P/BV, EV/EBITDA, P/E, and retained equity value per share. Our target multiples are derived from historical group averages with adjustments for expected growth rates, leverage, and earnings growth confidence. We identify the following risks for the sector: Demand for new renewable installations has historically been volatile around changes in state and federal policy, and we expect this volatility to continue. In addition, margins for product manufacturers can be impacted by swings in raw materials pricing and the overall level of energy prices.

Our valuation methodology for the Environmental Services space is based on EV/EBITDA with adjustments made to the target EV/EBITDA multiple based on relative growth rates, Free Cash Flow (FCF) conversion, expected earnings stability, and the general level of risk and our confidence in future earnings estimates. We identify the following risks for the sector: Housing remains a key driver of incremental municipal solid waste volume growth, and a slowdown in new housing starts could put downward pressure on sales growth. In addition, pricing tends to follow GDP growth, and a slowdown in economic growth could drive lower ability to raise pricing driving potential contraction in margins. For more industrial-exposed names, swings in commodity prices can impact the overall level of waste-generating activity, contributing to earnings volatility.

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Buy	FSR is > 6% above the MRA.	49%	32%
Neutral	FSR is between -6% and 6% of the MRA.	39%	30%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	<1%	<1%

Source: UBS. Rating allocations are as of 30 June 2020.

1: Percentage of companies under coverage globally within the 12-month rating category.

2: Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3: Percentage of companies under coverage globally within the Short-Term rating category.

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Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Advanced Disposal Services Inc ^{3, 5, 13, 16, 19}	ADSW.N	Neutral (CBE)	N/A	US\$30.16	16 Jul 2020
AES Corp ¹⁶	AES.N	Buy	N/A	US\$14.88	16 Jul 2020
Alliant Energy Corp ¹⁶	LNT.O	Neutral	N/A	US\$49.73	16 Jul 2020
Ameren Corp ¹⁶	AEE.N	Buy	N/A	US\$76.79	16 Jul 2020
American Electric Power Inc ^{7, 16}	AEP.N	Buy	N/A	US\$85.09	16 Jul 2020
American States Water Co ¹⁶	AWR.N	Sell	N/A	US\$77.59	16 Jul 2020
American Water Works Co ¹⁶	AWK.N	Neutral	N/A	US\$138.32	16 Jul 2020
ATCO Ltd	ACOX.TO	Buy	N/A	C\$42.31	16 Jul 2020
California Water Service Group ¹⁶	CWT.N	Sell	N/A	US\$48.28	16 Jul 2020
Canadian Solar Inc ^{6c, 7, 13, 16, 20a}	CSIQ.O	Neutral (CBE)	N/A	US\$22.80	16 Jul 2020
Canadian Utilities Ltd	CU.TO	Neutral	N/A	C\$34.41	16 Jul 2020
Caribbean Utilities Corp	CUPU.TO	Sell	N/A	US\$15.49	16 Jul 2020
Casella Waste Systems Inc ¹⁶	CWST.O	Neutral	N/A	US\$53.39	16 Jul 2020
Clean Harbors Inc ^{16, 20b}	CLH.N	Neutral (CBE)	N/A	US\$60.25	16 Jul 2020
CMS Energy Corp ^{4, 5, 6a, 16}	CMS.N	Neutral	N/A	US\$60.33	16 Jul 2020
Consolidated Edison Inc ¹⁶	ED.N	Neutral	N/A	US\$71.84	16 Jul 2020
Covanta Holding Corp ^{4, 16}	CVA.N	Buy	N/A	US\$9.69	16 Jul 2020
Dominion Energy Inc ^{7, 16}	D.N	Buy	N/A	US\$76.95	16 Jul 2020
DTE Energy Co ¹⁶	DTE.N	Buy	N/A	US\$109.70	16 Jul 2020
Duke Energy Corp ^{7, 16}	DUK.N	Buy	N/A	US\$81.07	16 Jul 2020
Edison International ^{7, 16}	EIX.N	Buy	N/A	US\$56.09	16 Jul 2020
Emera Inc	EMA.TO	Buy	N/A	C\$55.94	16 Jul 2020
Entergy Corp ^{7, 16}	ETR.N	Buy	N/A	US\$98.33	16 Jul 2020
Essential Utilities Inc ¹⁶	WTRG.N	Neutral	N/A	US\$43.88	16 Jul 2020
Eversource Energy ^{7, 16}	EVRG.N	Neutral	N/A	US\$61.41	16 Jul 2020
Exelon Corp ^{7, 16}	EXC.O	Buy	N/A	US\$38.06	16 Jul 2020
First Solar Inc ¹⁶	FSLR.O	Buy	N/A	US\$59.03	16 Jul 2020
FirstEnergy Corp ¹⁶	FE.N	Buy	N/A	US\$41.29	16 Jul 2020
Fortis Inc ¹⁶	FTS.TO	Buy	N/A	C\$54.10	16 Jul 2020
Generac Holdings Inc ¹⁶	GNRC.N	Buy	N/A	US\$132.54	16 Jul 2020
Hannon Armstrong Sustainable Infra ¹⁶	HASI.N	Neutral	N/A	US\$32.37	16 Jul 2020
Hawaiian Electric Industries Inc ¹⁶	HE.N	Sell	N/A	US\$37.00	16 Jul 2020
Hydro One	H.TO	Sell	N/A	C\$27.26	16 Jul 2020
JinkoSolar Holding Co Ltd ^{13, 16, 20a}	JKS.N	Neutral (CBE)	N/A	US\$19.86	16 Jul 2020
NextEra Energy Inc ^{4, 6a, 7, 16}	NEE.N	Buy	N/A	US\$268.38	16 Jul 2020
NRG Energy Inc ^{7, 16}	NRG.N	Buy	N/A	US\$33.84	16 Jul 2020
OGE Energy Corp ¹⁶	OGE.N	Buy	N/A	US\$31.90	16 Jul 2020
Ormat Technologies Inc ¹⁶	ORA.N	Neutral	N/A	US\$61.53	16 Jul 2020
PG&E Corp ^{7, 16, 20b}	PCG.N	Buy (CBE)	N/A	US\$9.02	16 Jul 2020
Pinnacle West Capital Corp ^{7, 16}	PNW.N	Neutral	N/A	US\$80.56	16 Jul 2020

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
PNM Resources Inc ^{7, 16}	PNM.N	Buy	N/A	US\$39.13	16 Jul 2020
Portland General Electric Co ¹⁶	POR.N	Neutral	N/A	US\$42.32	16 Jul 2020
PPL Corp ¹⁶	PPL.N	Buy	N/A	US\$25.85	16 Jul 2020
Public Service Enterprise Group ^{7, 16}	PEG.N	Buy	N/A	US\$52.91	16 Jul 2020
Republic Services Inc ^{13, 16}	RSG.N	Buy	N/A	US\$84.60	16 Jul 2020
Sempra Energy ^{7, 16}	SRE.N	Buy	N/A	US\$122.63	16 Jul 2020
SJW Group ^{4, 16}	SJW.N	Neutral	N/A	US\$63.02	16 Jul 2020
SolarEdge Technologies Inc ^{16, 20a}	SEDG.O	Neutral (CBE)	N/A	US\$164.75	16 Jul 2020
Southern Co ^{6b, 7, 13, 16}	SO.N	Neutral	N/A	US\$53.74	16 Jul 2020
SunPower Corp ^{16, 20a}	SPWR.O	Neutral (CBE)	N/A	US\$9.79	16 Jul 2020
Sunrun Inc ^{16, 20a}	RUN.O	Neutral (CBE)	N/A	US\$36.65	16 Jul 2020
TPI Composites Inc ¹⁶	TPIC.O	Buy	N/A	US\$26.25	16 Jul 2020
US Ecology Inc ¹⁶	ECOL.O	Buy	N/A	US\$32.89	16 Jul 2020
Vistra Energy Corp ^{2, 4, 6a, 16}	VST.N	Buy	N/A	US\$19.40	16 Jul 2020
Waste Connections Inc ¹⁶	WCN.N	Buy	N/A	US\$100.04	16 Jul 2020
Waste Management Inc ^{3, 16}	WM.N	Buy	N/A	US\$107.46	16 Jul 2020
WEC Energy Group Inc ¹⁶	WEC.N	Neutral	N/A	US\$87.76	16 Jul 2020
Xcel Energy Inc ¹⁶	XEL.O	Neutral	N/A	US\$64.99	16 Jul 2020

Source: UBS. All prices as of local market close.

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